

ANNEXURE L



City of Tshwane

2011/12 MTREF

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Business Planning and Consolidation
BPMC	Budget Planning Monitoring Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CoT	City of Tshwane
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DACE	Department of Agriculture, Conservation and Environment
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DoR Bill	Division of Revenue Bill
DWA	Department of Water Affairs
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
EPWP	Expanded Public Works Programme
FBS	Free basic services
FM	Financial Management
GDP	Gross domestic product
GFS	Government Financial Statistics
GGDS	Gauteng Growth and Development Strategy
GRAP	General Recognised Accounting Practice
HDI	Historically Disadvantaged Individuals
HR	Human Resources
IDP	Integrated Development Plan
IBT	Inclining Block tariff
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
LTFM	Long-term Financial Model
IES	Indigent Exit Strategy
MBRR	Municipal Budget and Reporting Regulations
MCI	Municipal Cost Index
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MFMIIP	Municipal Finance Management Intern Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations

NKPIs	National Key Performance Indicators
NSDP	National Spatial Development Perspective
NT	National Treasury
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
ROR	Rate of Return
RSA	Republic of South Africa
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises
SRAB	Starting Regulatory Asset Base
TEDA	Tshwane Economic Development Agency
USDG	Urban Settlements Development Grant
WTW	Water Treatment Works
WWTW	Waste Water Treatment Works

Part 1 – Annual Budget

1.1 Executive Mayor's Speech

1.2 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the municipality for the financial year 2011/12, and the multi-year and single-year capital appropriations are approved as set out in the following tables:
 - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification).
 - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type).
 - 1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
 - 2.1 Budgeted Financial Position.
 - 2.2 Budgeted Cash Flows.
 - 2.3 Cash backed reserves and accumulated surplus reconciliation.
 - 2.4 Asset management.
 - 2.5 Basic service delivery measurement.
3. That the consolidated budget that includes the financial impact of municipal entities is noted.
4. That in terms of section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for property rates, electricity PARTS I and II (Diverse fees), the supply of water, sanitation services as well as waste services as set out in Annexures A, B, C, D and E respectively, be approved with effect from 1 July 2011.
5. That in terms of section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as set out in Annexures F1 to F21 respectively, be approved with effect from 1 July 2011.
6. That approval be granted for the CoT to enter the bond market for the funding of the capital programmes in respect of the 2011/12 financial year limited to an amount not exceeding R1,5 billion per financial year of the MTREF in terms of Section 46 of the MFMA.
7. That approval be granted to the CFO to incur short term debt as and when required according to the cash flow position of the CoT for the total amount not exceeding R800,0 million at any time.
8. That the City Manager be authorised to sign all necessary agreements or documents to give effect to the decision as in recommendation 6 and 7.

9. That a comprehensive investigation be conducted on the rendering of solid waste removal services, and that a report in this regard be submitted to Council by the relevant strategic unit/department before the end of the first quarter.
10. That the amended Budget Policy, attached as Annexure H be approved.
11. That strategic units/departments spent external funds (grant funding) received on a project first before internal funds provided by the CoT.
12. That the Health and Social Development Department investigate a strategy for recovering a more feasible percentage of the cost of crèches and submit a report to Council in this regard.

1.3 Executive Summary

The 2011/12 MTREF for the Greater City of Tshwane was compiled in line with the strategic directives as contained in the State of the Nation Address by the President of the RSA, the Budget Speech for 2011 by the Minister of Finance, the State of the Province Address by the Premier of Gauteng, and the State of the City Address by the Executive Mayor of the City of Tshwane.

Finance Minister, Pravin Gordhan, in his Budget Speech to Parliament on 23 February 2011, made the President's vision for the future once again clear: "We want to have a country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and vibrant economy and where the quality of life is high". The Minister also said that the national budget reflects the collective determination of the Government to address with energy the challenges of creating jobs, reducing poverty, building infrastructure and expanding our economy. It sets out a sound and sustainable framework for implementing this vision. It recognises that building South Africa is a multi-decade project that must invigorate our capacity to grow, and must include all South Africans in that growth.

In his State of the City Address on 8 March 2011, His Worship the Executive Mayor, Councillor Kgosientso Ramokgopa, officially announced the theme for the new cycle of the political term: "Consolidating service delivery, accelerating job creation and strengthening foundations for a New Tshwane, a City of Excellence".

The incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane will culminate in the greater City of Tshwane being the largest Metropolitan Municipality in South Africa, comprising of an area of 6 368 km² and a population of approximately 2,5 million and the third largest city in the world in terms of area. Instead of the current five regions and 76 wards, the new city will have seven regions and 105 wards. Provision for 10 members of the Mayoral Committee and 210 councillors were made in the 2011/12 MTREF.

The incorporation will also provide the City with new opportunities to diversify its revenue base, as the new areas consist of other resources such as vast tracts of vacant undeveloped land, agriculture or farming communities, mining, eco-tourism, forestry and fishing. The City anticipates to implement ambitious projects through its Agriculture and Environmental Management Department aimed at fortifying the agriculture sector as a potential growth area for the local economy to create jobs. It is in line with the United Nations' 2005 Halving Hunger report, that agriculture could contribute to Millennium Development Goal 1 (eradicate extreme hunger and poverty) by stimulating food production and kick-starting economic development. The City could set the standard for the rest of the country through engagement with organised business, organised agriculture organisations, co-operatives and other community leaders in the development of an integrated agriculture and other resources development strategy, to stimulate growth and development throughout the new municipal boundaries.

It should be noted that although National and Provincial Government were engaged in various submissions for financial assistance with regards to the incorporation, no funding was allocated to the CoT for the 2011/12 financial year.

It is evident that 2011 has been declared a year of job creation. Every sector and every business entity, regardless of size, is urged to focus on job creation. The city recorded the lowest unemployment levels in Gauteng indicating a rate of 12,4% and also performed the best of the six districts in Gauteng in 2008 with respect to income inequality, HDI and the percentage of the population living in poverty (Socio-Economic Review and Outlook 2011 recently released by the

Gauteng Provincial Government). The CoT has been contributing and will continue to do so by focusing on maximising its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating in the Extended Public Works Programme; and
- Implementing intern programmes to provide young people with on-the-job training.

In his State of the City Address, His Worship the Executive Mayor, Councillor Kgosientso Ramokgopa, said that over the next five years, the City of Tshwane intends to increase its contribution to job creation with a minimum of 38 000 job opportunities in the 2011/12 financial year and 375 000 jobs by the end of the term in 2016. He said that the City will endeavour to make sure that the job opportunities benefit women, the youth and people living with disabilities, in order to address the challenges experienced by these groups. He also said that our strategic units/departments, especially the Public Works and Infrastructure Development Department, will be exploring ways of creating direct and indirect jobs through, among other means, supporting co-operatives and extended public works programmes. The City's first two Strategic Objectives goes hand in hand and will provide for job creation:

1. Provide basic services, roads and stormwater.
2. Economic growth and development, and job creation.

In order to achieve these strategic objectives, the City of Tshwane has allocated R2 846,3 million or 89,3% of its Capital Budget towards the above strategic objectives. Significantly the city is also investing R8 922,7 million or 49,9% of its Operational Budget to Public Works and Infrastructure Development, which incorporates the Electricity, Water and Sanitation Divisions, as well as R1 659,7 million or 9,3% to Agriculture and Environmental Management and R1 329,0 million or 7,4% to Transport and Roads.

The political leadership of this city has a significant role to play in strengthening the link between Government's priorities and spending plans, with the goal to enhanced service delivery aimed at improving the quality of life for all people within the city. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. Moody's International Rating Agency stated in the Credit Rating Report in December 2010 that the current city's strength is the city's commitment towards financial recovery and budgetary discipline thus tough decisions on expenditure had to be made owing to the on-going revenue constraints in order to give priority to:

- Ensuring that drinking water meets the required standards at all times;
- Protecting the poor from the worst impacts of the slow recovery in the labour market;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance; and
- Expediting spending on capital projects that are funded by conditional grants.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- Bulk purchases (tariff increases from Rand Water and Eskom) increasing upward pressure on affordability of services to residents. Continuous high tariff increases are not sustainable – as there will be a point where services will no longer be affordable;
- The cost of absorbing the labour brokers, in a phased manner, as permanent employees and provision for the payment of benefits from 1 July 2012;
- Additional requests for funds regarding capital and operating expenditure;
- Limited funds for the filling of critical vacancies;
- Inclusion of costs regarding the incorporation of the Metsweding District municipalities and expectations regarding increased service delivery; and
- Cash-backing of capital reserves and provisions, unspent long-term loans and unspent conditional grants.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Overview of the 2011/12 MTREF

	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	R'000	R'000	R'000	R'000
Total Operating Revenue	15 687 563 531	18 231 501 475	20 575 168 678	23 245 617 769
Total Operating Expenditure	15 444 301 149	18 218 843 638	20 540 847 220	23 007 987 346
Surplus/(Deficit) for the year	243 262 382	12 657 837	34 321 458	237 630 423
Total Capital Expenditure	2 424 280 488	3 185 417 740	3 975 082 408	4 049 095 312

The total operating revenue has grown by 16,3% or R2,5 billion for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 12,9% and 13,0%, equating to a total revenue growth of R7,558 billion over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R18,219 billion and translates into a budgeted surplus of R12,7 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 18,0% in the 2011/12 budget and by 12,7% and 12,0% for each of the respective outer years of the MTREF. The operating surplus for the two outer years increases to R34,3 million and R237,6 million respectively. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget has increased by 31,4% in relation to the 2010/11 Adjustment Budget and totals to R3,2 billion. The increase is mainly owing to the allocations towards Grants published in the DoR Bill, 2011. The capital programme increases to R4,0 billion in both the 2012/13 and 2013/14 financial years respectively. The capital budget will mainly be funded from bonds to be issued early in the financial year to the amount of R1,5 billion per annum over the medium-term. Borrowing will contribute 79,8%, 79,4% and 83,8% of capital expenditure in each of the MTREF years, when government grants and contributions are excluded. The balance will be funded from internally generated funds. The repayment of interest (debt services costs) has increased over the past five years as a result of the aggressive capital infrastructure programme implemented over the past three years, and the taking up of long-term external loans. The repayment of capital was steady over the last three financial years owing to the amortised profiles of the loans. The profile of the loans is mainly amortised and therefore the repayment of capital will be steady over the medium-term. It should be noted that the bullet profile of capital repayment will surface over the long-term owing to the issuing of bonds in the medium-term.

To ensure that the City continues to deliver on its core mandate and achieve its developmental goals, measures such as the Cash-flow Management Intervention Initiatives and Strategy, Long-term Financial Model, the Budget Policy, revenue enhancement, budget principles, cash backing of reserves, fund management tool, etc are in place.

From its inception the City of Tshwane has always been guided by the national imperative of building a democratic developmental local government and will continue to do so as the largest metropolitan municipality in the country.

1.4 Operating Revenue Framework

In order to serve the community, and to render the services needed, revenue generation is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty, challenging our revenue generating capacity. Municipalities have to explore imaginative ways of structuring tariffs for services to encourage more efficient use and to generate the resources required to fund the maintenance renewal and expansion of the infrastructure required to provide these services.

The municipality's revenue strategy is built around the following key components:

- National Treasury guidelines and macro-economic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 94% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining tariff escalation rates by establishing/calculating revenue requirements of each service;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Ensure ability to extend new services and recover costs;
- The Municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2: Summary of revenue classified by main revenue source

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	2 187 669	2 272 869	2 683 123	3 021 875	3 021 875	3 021 875	3 461 000	3 737 880	4 036 900
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	3 034 977	3 646 278	5 014 279	6 010 000	6 010 000	6 010 000	7 463 000	8 946 128	10 673 867
Service charges - water revenue	1 232 886	1 317 503	1 395 064	1 618 400	1 738 403	1 738 403	2 025 901	2 237 653	2 483 714
Service charges - sanitation revenue	303 406	335 760	371 961	392 543	418 543	418 543	484 497	523 335	565 288
Service charges - refuse revenue	267 689	316 129	365 290	429 884	432 384	432 384	516 390	596 817	693 203
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	84 317	86 847	88 930	105 503	107 919	107 919	114 400	120 692	127 330
Interest earned - external investments	135 555	122 500	96 769	120 080	104 567	104 567	55 877	47 458	43 855
Interest earned - outstanding debtors	179 065	337 525	283 126	351 148	274 386	274 386	293 108	327 566	366 074
Dividends received	-	-	-	-	-	-	-	-	-
Fines	39 357	18 676	4 512	31 000	30 422	30 422	2 202	2 312	2 428
Licences and permits	29 499	28 424	25 262	34 783	34 529	34 529	47 216	49 612	52 129
Agency services	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	1 392 035	1 624 272	1 809 504	1 976 514	2 206 008	2 206 008	2 363 729	2 518 178	2 668 776
Other revenue	629 131	1 015 692	775 810	955 581	1 003 544	1 003 544	1 064 465	1 102 643	1 158 433
Gains on disposal of PPE	4 937	2 779	-	4 950	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	9 720 523	11 125 254	12 913 631	15 052 261	15 382 582	15 382 582	17 891 785	20 210 273	22 871 996

The following table indicates the percentage growth in revenue by main revenue source:

Table 3: Percentage growth in revenue by main revenue source (parent)

Description R thousand	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	3 021 875	19,6%	3 461 000	19,3%	3 737 880	18,5%	4 036 900	17,6%
Property rates - penalties & collection charges	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Service charges - electricity revenue	6 010 000	39,1%	7 463 000	41,7%	8 946 128	44,3%	10 673 867	46,7%
Service charges - water revenue	1 738 403	11,3%	2 025 901	11,3%	2 237 653	11,1%	2 483 714	10,9%
Service charges - sanitation revenue	418 543	2,7%	484 497	2,7%	523 335	2,6%	565 288	2,5%
Service charges - refuse revenue	432 384	2,8%	516 390	2,9%	596 817	3,0%	693 203	3,0%
Service charges - other	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Rental of facilities and equipment	107 919	0,7%	114 400	0,6%	120 692	0,6%	127 330	0,6%
Interest earned - external investments	104 567	0,7%	55 877	0,3%	47 458	0,2%	43 855	0,2%
Interest earned - outstanding debts	274 386	1,8%	293 108	1,6%	327 566	1,6%	366 074	1,6%
Dividends received	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Fines	30 422	0,2%	2 202	0,0%	2 312	0,0%	2 428	0,0%
Licences and permits	34 529	0,2%	47 216	0,3%	49 612	0,2%	52 129	0,2%
Agency services	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Transfers recognised - operational	2 206 008	14,3%	2 363 729	13,2%	2 518 178	12,5%	2 668 776	11,7%
Other revenue	1 003 544	6,5%	1 064 465	5,9%	1 102 643	5,5%	1 158 433	5,1%
Gains on disposal of PPE	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total Revenue (excluding capital transfers and contributions)	15 382 582	100,0%	17 891 785	100,0%	20 210 273	100,0%	22 871 996	100,0%
Total revenue from service charges	8 599 330	55,9%	10 489 789	58,6%	12 303 932	60,9%	14 416 072	63,0%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and service charges forms a significant percentage of the revenue basket for the City. Rates and service charge revenues comprise of more than two thirds of the total revenue mix. In the 2010/11 financial year (adjustments budget), revenue from rates and service charges totalled R11,6 billion or 75,5% of total revenue. This increases to R14,0 billion, R16,0 billion and R18,5 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and service charges which increases from 78,0% in 2011/12 to 80,7% in 2013/14. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are included in Table 87 MBRR SA1.

Property rates is the second largest revenue source totalling 19,3% of total revenue or R3,46 billion and increases to R4,04 billion by 2013/14. The third largest source is water, whereafter "other revenue" follows which consist of various items such as revenue received from building plan fees, connection fees, parking fees and advertisement fees. Strategic Units/Departments have to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R2,21 billion in the 2010/11 financial year (adjustments budget) and steadily increases to R2,67 billion by 2013/14. Note that the year-on-year growth for the 2011/12 financial year is 7,2% and 6,5% and 6,0% in the two outer years.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4: Operating Transfers and Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:									
Operating Transfers and Grants									
National Government:	1 288 822	1 466 998	1 603 221	1 897 334	2 120 543	2 120 543	2 260 380	2 414 241	2 561 536
Local Government Equitable Share	299 481	433 373	512 149	717 978	717 978	717 978	923 020	1 031 527	1 100 611
Fuel Levy	801 935	902 177	969 463	1 085 816	1 085 816	1 085 816	1 286 009	1 354 214	1 416 175
Finance Management Grant	500	750	750	1 000	1 843	1 843	5 250	5 000	5 000
Municipal Systems Improvement Grant	-	-	-	-	-	-	-	-	-
Restructuring	60 000	-	-	-	11 479	11 479	-	-	-
Water Services Operating Subsidy Grant	21 067	15 502	10 059	7 040	7 040	7 040	22 601	-	15 000
Vuna Awards	-	-	-	-	-	-	-	-	-
PTIS	50 544	-	55 000	60 000	239 658	239 658	20 000	20 000	21 250
2010 FIFA World Cup Host City Operating G	-	40 000	55 800	22 000	43 377	43 377	-	-	-
2010 FIFA World Cup Loftus Stadium	55 295	75 195	-	-	9 852	9 852	-	-	-
MIG Cities/Urban Settlement Development G	-	-	-	3 500	3 500	3 500	3 500	3 500	3 500
Provincial Government:	205 416	67 932	137 216	79 180	85 436	85 436	103 349	103 937	107 240
Health subsidy	22 669	22 554	27 024	29 510	29 510	29 510	31 150	33 773	35 837
Emergency Medical Services	35 079	38 377	39 800	43 450	43 450	43 450	47 310	49 676	49 676
HIV and Aids Grant	1 500	3 000	1 500	-	1 878	1 878	4 674	10 988	12 227
Opex Grants: DACE	440	-	150	-	150	150	-	-	-
Housing: Top Structure	142 580	-	62 239	-	1 169	1 169	12 815	-	-
Sports and Recreation: Libraries	3 147	4 000	6 503	6 220	9 278	9 278	7 400	9 500	9 500
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	67 471	72 383	81 513	-	30	30	-	-	-
DBSA	-	108	4 850	-	-	-	-	-	-
Opex Bonthle Ke Botho	1 280	500	1 563	-	-	-	-	-	-
Refund: Motor Vehicle	66 191	71 775	75 100	-	-	-	-	-	-
Merit Award :LGSETA	-	-	-	-	30	30	-	-	-
Total Operating Transfers and Grants	1 561 709	1 607 312	1 821 950	1 976 514	2 206 008	2 206 008	2 363 729	2 518 178	2 668 776

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

Increases in rates, tariffs and other charges are being kept as low as possible (6% upper boundary of the South African Reserve Bank's inflation target) as excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases for both Eskom and Rand Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water are largely outside the control of the City. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol and diesel, chemicals, cement etc. These commodities are used to calculate the Municipal Cost Index (MCI) which are utilised by the CoT in stead of the CPI and is currently calculated at 15,9%. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

The formation of the greater City of Tshwane was faced with a challenge of having three different tariff structures for property rates and the main services rendered from 1 July 2011.

Financial sustainability of the new City of Tshwane was the overarching factor besides legislative challenges that guided the Technical Task Team, after much deliberation to recommend that the new City of Tshwane accepts a single tariff structure for property rates and other services rendered.

The outcome of the proposed increases in property rates and the main services tariffs (main revenue categories generating the revenue through the billing of monthly municipal accounts) is as follows:

Table 5: Proposed increases in property rates and the main services tariffs

Revenue category	2011/12 proposed tariff increase	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2011/12 Budgeted revenue	2012/13 Budgeted revenue	2013/14 Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	8,0	8,0	8,0	3 461,0	3 737,9	4 036,9
Sanitation	8,0	8,0	8,0	480,6	519,0	560,6
Solid Waste	17,0	15,0	15,0	516,4	596,8	693,2
Water	9,0	10,0	10,0	1 986,7	2 196,3	2 440,1
Electricity	*22,0	20,0	18,0	7 463,0	8 946,1	10 673,9
Total				13 907,7	15 996,1	18 404,7

*Average increase in revenue (19,8% increase for households and 25% increase for other categories)

Within this framework the City has undertaken the tariff setting process relating to service charges as follows:

1.4.1 Property Rates

In comparison with service charges (where there is a measurable benefit in the use of the service which is charged for) the local ratepayer does not receive a direct or measurable benefit from the payment of property rates. By implication, there is however, an indirect benefit in that the value of the benefit which a specific individual derives is difficult to estimate (metro police, libraries, parks, financial services, health services etc). Depending on circumstances at a given point in time, a ratepayer may make use of these collective services to a greater or lesser degree. For services for which a service charge can be made, the potential users of these services have a certain amount of choice as to whether or not they wish to make use of it. In contrast, the ratepayer can hardly

calculate the benefit which he derives from making use of a collective service. He/she sometimes does not even make use of a service which could benefit him/her, eg library services, while there may be long periods during which a service is not utilised except when it is greatly in demand, eg health service.

Consequently, some ratepayers in varying degrees may be reluctant to pay rates if they do not receive direct benefits. It is thus essential that payment be compulsory, and this is the essence of all rate systems.

Section 7 of the Municipal Property Rates Act, 2004 (Act 6 of 2004) states:

"7. Rates to be levied on all rateable property

- (1) When levying rates, a municipality must, subject to subsection (2), levy rates on all rateable property in its area or, in the case of a district municipality, on all rateable property in the district management area."

Property rates cover the shortfall of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The property rates policy of the CoT has been revised to include categories relevant to the incorporating municipalities.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this impermissible value, a further R35 000 reduction on the market value of a property will be granted in terms of the CoT Rates Policy;
- 35% rebate will be granted on all residential properties (including state owned residential properties);
- 100% rebate will be granted to registered indigents in terms of the CoT Indigent Policy;
- Pensioners, physically and mentally disabled:
 - A maximum/total rebate of 50% will be granted to owners of rate-able property subject to total gross income of the applicant and/or his/her spouse, if any, not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year; or
 - A maximum/total rebate of 40% will be granted subject to joint income of the applicant and/or his/her spouse if any, that is more than twice the annual state pension, but not to exceed R100 980 (was R93 500) for a financial year (amount reviewed during the CoT's annual budget process);
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;

- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- The property must be categorized as residential.
- The Municipality may award a 100% grant-in-aid on the property rates of rate-able properties of certain classes such as registered welfare organizations, hospitals for mentally ill persons, institutions or organisations performing charitable work, sports grounds used for purposes of amateur sport, etc and after the owner of such property has applied to the Chief Financial Officer in the prescribed format for such grant and the application thereof has been approved.

The categories of rate-able properties for purposes of levying rates and the proposed rates based on an 8% increase per annum over the medium-term are contained below:

Table 6: Comparison of proposed rates to be levied over the medium-term

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)	Proposed tariff (from 1 July 2012)	Proposed tariff (from 1 July 2013)
	c	c	c	c
Residential properties	1,119	1,209	1,306	1,410
State owned properties	2,238	2,418	2,612	2,820
Business & Commercial	2,238	2,418	2,612	2,820
Agricultural	0,182	0,196	0,212	0,229
Vacant land	4,972	5,370	5,800	6,264
Municipal property	1,119	1,209	1,306	1,410
Industrial	2,238	2,418	2,612	2,820
Non-permitted use	5,595	6,045	6,530	5,640
Public benefit organisation properties	0,182	0,196	0,212	0,229
Independent Schools	2,238	0,196	0,212	0,229
Educational Institutions	-	2,418	2,612	2,820
Mining	-	2,418	2,612	2,820
Echo-tourism and Game Farm	-	2,418	2,612	2,820
Public Worship	-	-	-	-
Public Service Infrastructure	-	-	-	-
Protected areas	-	-	-	-
State Trust Land	-	-	-	-

1.4.2 Sale of Water and Impact of Tariff Increases

Municipalities are required to review the level and structure of their water tariffs carefully, with a view to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants and water networks, and the cost of new infrastructure;
- Water tariffs are structured to protect basic levels of services; and
- Water tariffs are designed to encourage efficient and sustainable consumption (eg through increasing block tariffs).

The tariff policy of the CoT specifically complies with the following principles:

- Users of a municipality should be treated equally in the application of the tariffs;
- Tariffs must be set to levels that facilitate the financial sustainability of the service;
- The tariff system must encourage the economical, efficient and effective use of water;
- Provision may be made for the promotion of local economic development through a special tariff for categories of industrial users; and
- Poor households must have access to at least basic services through direct or indirect methods of subsidisation.

The existing CoT tariff structure complies with the above through the application of a rising block tariff structure and with the application of a social package for indigents. The policy further states that basic/availability charges be levied at a zero rate for all users and that only undeveloped stands are charged. Industrial users are charged per a three block decreasing tariff structure to encourage local economic investment for large water usage industries.

A tariff increase of 9%, 10% and 10% is proposed from 1 July 2011, 1 July 2012 and 1 July 2013 respectively and is based on input cost assumptions, which will generate R287,5 million additional revenue and R1 986,7 million in total. A growth percentage in the rendering of this service of 0,5% and 1,0% has been included for the 2012/13 and 2013/14 financial years respectively.

The water tariff structure will remain unchanged as a rising block tariff with pro-poor lower block tariffs and pro-water conservation blocks for higher usage to encourage water savings. Cross subsidisation from high water users to low water users ensures that full cost recovery of all water expenditures is achieved. 12 kℓ water per 30-day period will again be granted free of charge to registered indigents.

A summary of the proposed tariff increases with effect from 1 July for households (residential) and non-residential consumers are as follows over the medium-term:

Table 7: Proposed water tariffs

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS (9% increase) 2011/12	PROPOSED TARIFFS (10% increase) 2012/13	PROPOSED TARIFFS (10% increase) 2013/14
	Per kℓ R	Per kℓ R	Per kℓ R	Per kℓ R
RESIDENTIAL				
(i) 0 – 6 kℓ per 30-day period	4,70	5,12	5,64	6,20
(ii) 7 – 12 kℓ per 30-day period	6,71	7,31	8,05	8,85
(iii) 13 to 18 kℓ per 30-day period	8,80	9,59	10,55	11,61
(iv) 19 to 24 kℓ per 30-day period	10,18	11,10	12,21	13,43
(v) 25 to 30 kℓ per 30-day period	11,63	12,68	13,94	15,34
(vi) 31 to 42 kℓ per 30-day period	12,58	13,71	15,08	16,59
(vii) 43 to 72 kℓ per 30-day period	13,46	14,67	16,14	17,75
(viii) More than 72 kℓ per 30-day period	14,41	15,71	17,28	19,01
NON-RESIDENTIAL				
(i) 0 – 10 000 kℓ per 30-day period	9,92	10,81	11,89	13,08
(ii) 10 001 – 100 000 kℓ per 30-day period	9,41	10,26	11,29	12,42
(iii) More than 100 000 kℓ per 30-day period	8,77	9,56	10,52	11,57

The following table indicates the impact of the proposed increases in water tariffs on the water charges for single dwelling-houses:

Table 8: Comparison between current water charges and increases (domestic)

	2010/11	2011/12	2012/13	2013/14
Monthly consumption kℓ	Current amount payable R	Amount payable (9% increase) R	Amount payable (10% increase) R	Amount payable (10% increase) R
20	141,62	154,32	169,80	186,78
30	252,12	274,81	302,29	332,52
40	377,92	411,93	453,13	498,44
50	510,76	556,73	612,40	673,64
80	922,16	1 005,15	1 105,67	1 216,24
100	1 210,36	1 319,29	1 451,22	1 596,34

1.4.3 Sanitation and Impact of Tariff Increases

The tariff policy of the CoT will be applied throughout the CoT area, specifically complying with legislative principles and promoting the principles of equity, sustainability, efficiency, economic growth and subsidising the poor.

The existing CoT tariff structure complies with the above through the application of a charge calculated according to the percentage water discharged. A zero based tariff is charged for registered indigents for the first 5,88 kℓ (98% of 6 kℓ) discharged. Industrial users are charged per a special industrial tariff calculated on the strength and volume of effluent discharged.

A tariff increase of 8,0% on the existing CoT tariff structure for sanitation from 1 July per annum over the medium-term is proposed. The total revenue expected to be generated from rendering this service amounts to R484,5 million, R523,3 million and R565,3 million for the 2011/12, 2012/13 and 2013/14 financial years respectively.

The following table compares the current and proposed tariffs:

Table 9: Comparison between current sanitation charges and increases

CATEGORY	% DIS-CHARGED	CURRENT TARIFF	PROPOSED TARIFF	PROPOSED TARIFF	PROPOSED TARIFF
		2010/11	2011/12	2012/13	2013/14
		TARIFF PER kℓ	(8% increase) TARIFF PER kℓ	(8% increase) TARIFF PER kℓ	(8% increase) TARIFF PER kℓ
		R	R	R	R
0 – 6 kℓ per 30-day period	98	3,44	3,72	4,02	4,34
7 – 12 kℓ per 30-day period	90	4,66	5,03	5,43	5,86
13 – 18 kℓ per 30-day period	75	6,02	6,50	7,02	7,58
19 – 24 kℓ per 30-day period	60	6,02	6,50	7,02	7,58
25 – 30 kℓ per 30-day period	52	6,02	6,50	7,02	7,58
31 – 42 kℓ per 30-day period	10	6,02	6,50	7,02	7,58
More than 42 kℓ per 30-day period	1	6,02	6,50	7,02	7,58

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for single dwelling-houses:

Table 10: Comparison between current sanitation charges and increases, single dwelling-houses

	2010/11	2011/12	2012/13	2013/14
Monthly sanitation consumption kℓ	Current amount payable R	Amount Payable (8% increase) R	Amount Payable (8% increase) R	Amount Payable (8% increase) R
5	16,86	18,23	19,70	21,27
10	37,00	39,98	43,19	46,62
20	79,71	86,09	92,97	100,37
30	112,94	121,97	131,72	142,21
40	118,96	128,47	138,74	149,79
50	120,64	130,29	140,71	151,91
80	122,45	132,24	142,82	154,19
100	123,65	133,54	144,22	155,70

1.4.4 Sale of Electricity and Impact of Tariff Increases

The Eskom price of bulk electricity supplied to municipalities will increase by 26,71% on 1 July 2011 (the percentage increase with regard to the outer years was estimated at 25% and 20% respectively).

The guideline increase of 20,38% by NERSA for municipalities was based on the following assumptions:

- Municipal bulk purchase cost of 70%;
- Bulk electricity purchase price increasing by 26,71%;
- Salaries and wages increasing by CPI of 4,8% plus 2%; and
- Repairs and maintenance, capital charges and other costs increasing by the assumed inflation forecast of 4,8%.

The National Energy Regulator of SA (NERSA) has introduced a tariff design methodology called the Rate of Return (ROR) and a tariff structure called the Inclining Block Tariff (IBT). The tariff determined by the ROR consists of the value of the bulk electricity purchases and operations and maintenance provisions subtracted from the Starting Regulatory Asset Base (SRAB).

On 24 February 2010, the Energy Regulator approved the implementation of the Inclining Block tariffs (IBT) which requires all municipalities to implement the IBT specified by NERSA for all municipalities' domestic/residential customers on 1 July 2011.

The IBT tariff structure is designed as such that the customers who use the least amount of energy pay less than the customers who use more energy.

Although a guideline tariff increase of 20,38% was indicated by NERSA, the specific circumstances of the CoT necessitated an average increase of 19,8% with regards to households and a 25% increase with regards to non-domestic and business categories, which results in an average increase of 22,0% in revenue generated through the selling of electricity to CoT consumers.

NERSA indicated repairs and maintenance to increase with 4,8%. However, repairs and maintenance increased with 14,6% (R62,8 million) compared to the 2010/11 budgeted amount. The total electricity revenue (including other sources) increased with 22,8% and the total expenditure with 25,9%. This is clearly indicative that a 20% increase, as indicated in the NERSA guidelines, is not sufficient to render this service in a sustainable manner, even though a higher percentage increase is proposed:

The expected revenue to be generated from the sale of electricity (municipal accounts) amounts to R7,5 billion for the 2011/12 financial year and increases to R10,7 billion in the 2013/14 financial year.

The sliding scale tariffs for the 2011/12 financial year are as follows:

Table 11: Sliding scale tariffs

Tariffs blocks	Tariff c/kWh
Block 1 (0 -50 kWh)	96,94
Block 2 (51 – 350 kWh)	102,94
Block 3 (351 – 600 kWh)	108,44
Block 4 (>600)	115,54

Examples of monthly electricity consumption charges (single dwelling-houses):

Table 12: Comparison between current electricity charges and increases (domestic)

	2010/11	2011/12	2012/13	2013/14
Monthly consumption	Current amount payable	Amount payable (20% increase)	Amount payable (20% increase)	Amount payable (18% increase)
kWh	R	R	R	R
100	88,30	99,94	119,93	141,52
250	220,75	254,35	305,23	360,18
500	441,50	519,95	623,95	736,27
750	662,25	801,70	962,06	1 135,24
1 000	883,00	1 090,55	1 308,68	1 544,26
2 000	1 766,00	2 245,95	2 695,18	3 180,36

The above table clearly indicates that the higher consumers will pay more (inclining block tariff).

Furthermore, it should be noted that changes in the consumption patterns and tariffs impacts significantly on the revenue amounts owing to the magnitude thereof.

Registered indigents will again be granted 100 kWh per 30-day period free of charge.

Infrastructure development

Most of the suburbs and inner city network was designed or strengthened around 1982 and it was designed for 20-25 years hence the life-expectancy of these networks has peaked and the only way to avoid dire consequences is to upgrade the entire network (substation and transmission lines).

The approved budget for the Energy and Electricity Division can only be utilised to prioritise the upgrade of some committed projects and some untenable infrastructure (ie substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount

of R319,0 million per year for five years will be necessary to steer the CoT out of this predicament which process started in the 2009/10 financial year. However owing to financial constraints this strategy will not reach the targeted goal within five years.

1.4.5 Waste Removal and Impact of Tariff Increases

Currently the solid waste removal service is operating at a deficit. It is widely accepted that the rendering of this service should at least break even. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. The CoT therefore embarked on a solid waste strategy to ensure that this service is rendered in a sustainable manner over the medium- to long-term. Therefore tariff increases of 17% per annum over a three-year period was embarked on. This strategy commenced in 2009, but was put on hold for the 2010/11 financial year owing to a 9% tariff increase. It is now imperative to continue with the strategy especially owing to the cost of absorbing the labour brokers and a 17%, 15% and 15% increase is proposed from 1 July 2011, 1 July 2012 and 1 July 2013 respectively.

Registered indigents will not be charged for solid waste removal (one 85ℓ bin removed once a week).

The following table indicates a comparison between the current and proposed tariff increases (from 1 July):

Table 13: Comparison between current waste removal fees and increases

	Tariff per container per month or part of a month: Areas serviced by means of (Tariff is multiplied by the number of service rounds per week and the number of containers):	1 100ℓ container removed once a week	240ℓ container removed once a week	85ℓ container removed twice a week	85ℓ container removed once a week
Current Tariffs 2010/11	Per litre (per service) (R)	0,1704	0,1704	0,3408	0,1704
Waste Removal	Per month (R)	187,44	40,90	28,97	14,48
City Cleaning	Per month (R)	187,44	40,90	28,97	14,48
Proposed Tariffs 2011/12 (17 % increase)	Per litre (per service) (R)	0,1994	0,1994	0,3988	0,1994
Waste Removal	Per month (R)	219,34	47,86	33,90	16,95
City Cleaning	Per month (R)	219,34	47,86	33,90	16,95
Proposed Tariffs 2012/13 (15 % increase)	Per litre (per service) (R)	0,2293	0,2293	0,4586	0,2293
Waste Removal	Per month (R)	252,23	55,03	38,98	19,49
City Cleaning	Per month (R)	252,23	55,03	38,98	19,49
Proposed Tariffs 2013/14 (15% increase)	Per litre (per service) (R)	0,2637	0,2637	0,5274	0,2637
Waste Removal	Per month (R)	290,07	63,29	44,83	22,41
City Cleaning	Per month (R)	290,07	63,29	44,83	22,41

Tariffs for city cleaning are levied on all premises irrespective of who removes the waste generated at the premises.

1.4.6 Overall impact of tariff increases on households

The following table indicates the overall expected impact of the tariff increases on a large and small household, as well as a registered indigent household receiving free basic services (no charges applicable).

Table 14: MBRR Table SA14 – Household bills

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent										
Monthly Account for Household - 'Large' Household										
Rates and services charges:										
Property rates	445,05	340,00	384,20	422,62	422,62	422,62	8,0%	456,43	492,94	532,38
Electricity: Basic levy	-	-	-	-	-	-	-	-	-	-
Electricity: Consumption	434,30	555,50	742,00	883,00	883,00	883,00	23,5%	1 090,55	1 308,68	1 544,26
Water: Basic levy	-	-	-	-	-	-	-	-	-	-
Water: Consumption	187,80	202,80	229,14	252,05	252,05	252,05	9,0%	274,81	302,29	332,52
Sanitation	83,24	89,33	101,72	112,91	112,91	112,91	8,0%	121,97	131,72	142,21
Refuse removal	55,80	64,13	75,02	81,77	81,77	81,77	17,0%	95,72	110,08	126,59
Other	-	-	-	-	-	-	-	-	-	-
sub-total	1 208,19	1 251,78	1 532,08	1 752,35	1 752,35	1 752,35	16,4%	2 038,48	2 345,71	2 677,96
VAT on Services	106,56	127,65	160,70	186,16	186,16	186,16	-	221,63	259,39	300,38
Total large household bill:	1 312,75	1 379,41	1 692,78	1 938,51	1 938,51	1 938,51	16,6%	2 261,11	2 605,10	2 978,34
% increase/-decrease		5,1%	22,7%	14,5%	-	-	-	16,6%	15,2%	14,3%
Monthly Account for Household - 'Small' Household										
Rates and services charges:										
Property rates	-	195,00	210,60	231,66	231,66	231,66	8,0%	250,19	270,21	291,82
Electricity: Basic levy	-	-	-	-	-	-	-	-	-	-
Electricity: Consumption	216,28	276,64	369,52	439,73	439,73	439,73	17,7%	517,78	621,35	733,20
Water: Basic levy	-	-	-	-	-	-	-	-	-	-
Water: Consumption	144,50	156,05	175,29	193,92	193,92	193,92	9,0%	211,43	232,57	255,83
Sanitation	71,79	77,35	87,63	97,27	97,27	97,27	8,0%	105,07	113,47	122,50
Refuse removal	19,69	22,71	26,57	28,96	28,96	28,96	17,0%	33,90	38,98	44,82
Other	-	-	-	-	-	-	-	-	-	-
sub-total	432,26	727,75	870,61	991,54	991,54	991,54	12,4%	1 114,37	1 276,58	1 448,17
VAT on Services	63,32	74,59	92,40	106,38	106,38	106,38	-	121,55	140,89	161,89
Total small household bill:	515,58	802,34	963,01	1 097,92	1 097,92	1 097,92	12,9%	1 239,92	1 417,47	1 610,08
% increase/-decrease		55,6%	20,0%	14,0%	-	-	-	12,9%	14,3%	13,6%
Monthly Account for Household - 'Small' Household receiving free basic services										
Rates and services charges:										
Property rates	78,18	48,75	55,09	60,61	60,61	60,61	8,0%	65,49	70,74	76,38
Electricity: Basic levy	-	-	-	-	-	-	-	-	-	-
Electricity: Consumption	26,06	33,33	44,52	52,98	52,98	52,98	10,9%	58,76	70,52	83,21
Water: Basic levy	-	-	-	-	-	-	-	-	-	-
Water: Consumption	21,00	22,88	25,52	28,18	28,18	28,18	9,0%	30,72	33,81	37,19
Sanitation	14,94	16,11	18,23	20,24	20,24	20,24	8,0%	21,87	23,64	25,52
Refuse removal	19,69	22,71	26,57	28,96	28,96	28,96	17,0%	33,90	38,98	44,82
Other	-	-	-	-	-	-	-	-	-	-
sub-total	159,85	143,58	170,03	190,97	190,97	190,97	10,4%	210,74	237,69	267,12
VAT on Services	11,44	13,28	16,09	18,25	18,25	18,25	-	20,34	23,37	26,70
Total small household bill:	171,29	156,86	186,12	209,22	209,22	209,22	10,4%	231,08	261,06	293,82
% increase/-decrease		(8,4%)	18,7%	12,4%	-	-	-	10,4%	13,0%	12,5%

Note:

- Owing to the implementation of the new tariff structure for electricity (block charge), the percentage increase of electricity charges was calculated according to the impact on consumer accounts.
- Free basic services are applicable to registered indigents only.
 - 100 kWh free electricity
 - 12kℓ free water
 - 6 kℓ free sanitation
 - No charge regarding refuse removal (one 85ℓ bin removed once a week)
 - No charge regarding property rates.
- With regard to the example "small household receiving free basic services" above it should be noted that as a registered indigent household no charges will be applicable.

1.5 Operating Expenditure Framework

The City's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The asset renewal strategy and repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plan no budget. If there is no project plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 MTREF (classified per main type of operating expenditure):

Table 15: Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	2 621 003	3 009 111	3 516 465	3 451 263	3 538 606	3 538 606	4 828 223	5 306 008	5 690 569
Remuneration of councillors	44 201	55 351	56 016	66 438	66 388	66 388	90 293	99 068	108 721
Debt impairment	280 647	376 125	1 014 557	432 387	528 801	528 801	840 147	965 609	1 110 278
Depreciation & asset impairment	574 907	592 405	815 772	897 034	741 741	741 741	858 860	932 224	1 009 212
Finance charges	372 545	518 422	594 922	715 617	644 189	644 189	737 058	800 637	904 755
Bulk purchases	2 206 818	2 718 186	3 639 421	4 484 233	4 519 236	4 519 236	5 660 050	7 013 702	8 427 076
Other materials	-	-	-	-	-	-	587 853	630 005	675 252
Contracted services	-	-	-	-	-	-	3 278 298	3 372 297	3 566 310
Transfers and grants	11 585	9 834	12 544	18 000	13 799	13 799	14 282	14 782	15 299
Other expenditure	3 720 317	4 001 666	3 571 835	4 761 671	5 086 114	5 086 114	986 064	1 041 621	1 126 894
Loss on disposal of PPE	23 352	9 069	3 127	5 077	-	-	-	-	-
Total Expenditure	9 855 375	11 290 169	13 224 660	14 831 720	15 138 875	15 138 875	17 879 128	20 175 952	22 634 365

In terms of the projected R4,8 billion for the 2011/12 financial year, indicative salary increases have been included and represents 27,0% of the total expenditure budget.

It should be noted that the Labour Broker employees have been directly contracted to the CoT (without benefits) during the 2010/11 financial year with an additional cost implication of approximately R400,0 million. In terms of the agreement with the Local Bargaining Council the Labour Broker employees must be absorbed as permanent employees (with benefits) into the organizational structure of the CoT. An amount of R129,1 million has been included in the 2012/13 financial year for the benefits of these directly contracted employees as part of the phasing in approach.

Furthermore, it should be noted that an amount of R122,5 million has been included in the 2011/12 MTREF for critical vacancies that are in the process of being filled from 1 February – 30 June 2011 in accordance with the approved Human Resources process.

Owing to the substantial increase in the Remuneration Budget as a result of directly contracting the Labour Brokers to the CoT and the filling of critical vacancies in the 2010/11 financial year no provision has been made on the 2011/12 MTREF for the filling of unfunded vacancies.

A 7,5% increase in salaries was factored into the budget. The three year salary increase agreement determined that the increase from 1 July 2011, will be the CPI average of February 2010 to January 2011 plus 2%, unless the said CPI is lower than 5%. Since the inflation is below the agreement's lower limit, salary increases could once again have to be negotiated.

It should be noted that the above factors mainly contributed to the balanced budget constraint during the compilation of the 2011/12 MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget. Provision for 10 members of the Mayoral Committee and 210 councillors were made in the 2011/12 MTREF.

The provision for debt impairment was determined based on an annual collection rate of 94%. For the 2011/12 financial year this amount equates to R840,1 million and escalates to R1 110,3 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Strategy. Budget appropriations in this regard amounts to R856,9 million for the 2011/12 financial year and equates to 4,8% of the total operating expenditure. Note that the implementation of the GRAP accounting standards resulted in bringing a range of assets previously not included in the assets register onto the register. The continuous cleaning exercise of the asset register resulted in a relative increase in the provision for depreciation and asset impairment over the previous years.

Finance charges primarily consist of the repayment of interest on long-term borrowing (cost of capital). In relation to the total operating expenditure, finance charges makes up 4,8% (R737,1 million) of expenditure excluding annual capital redemption for 2011/12 and increases to R904,8 million by 2013/14.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly informs the revenue provisions. Compared to the 2010/11 Adjustments Budget this group of expenditure has increased by 25,2% from R4,5 billion to R5,7 billion, and increases to R8,4 billion in the 2013/14 financial year.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For the 2011/12 financial year the appropriation against this group of expenditure amounts to R587,9 million and increases to R675,3 million in the 2013/14 financial year. These expenses have previously been included under the other expenditure group.

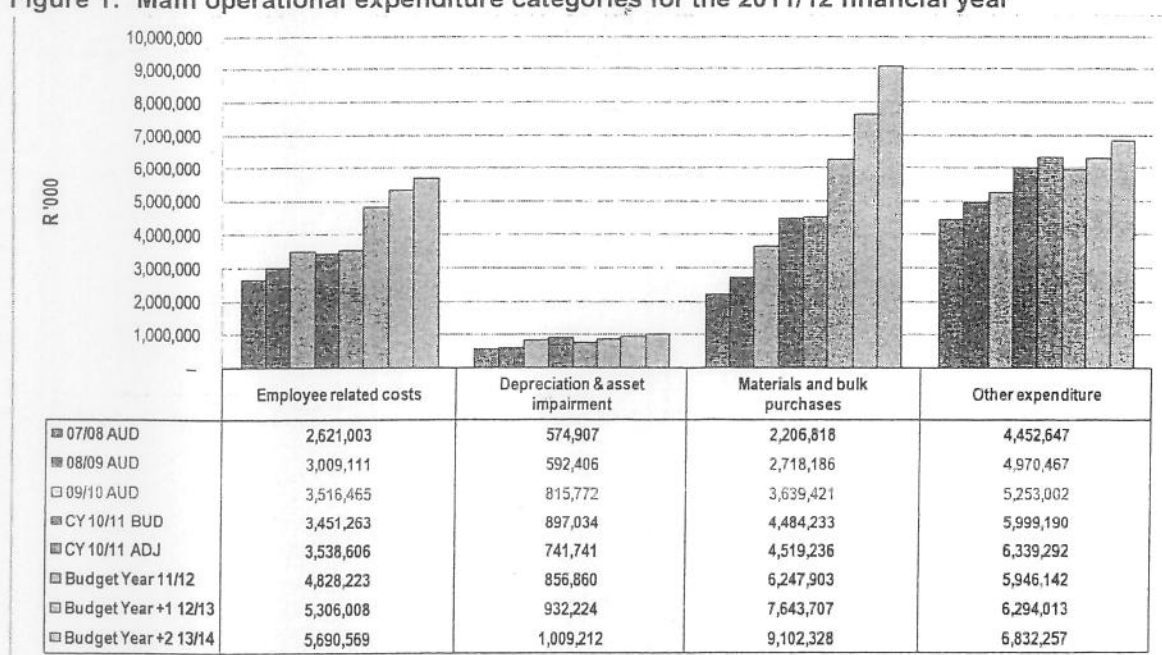
Contracted services have been identified as a cost saving area for the City. As part of the compilation of the 2011/12 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2011/12 financial year, this group of expenditure totals R3,3 billion. For the two outer years growth has been limited to 2,9% and 5,8%. Contracted

services were previously included under the other expenditure group. Further details relating to contracted services can be seen in Table 87 MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The 2011/12 budgeted amount declined to R0,99 billion from R5,1 billion and is owing to the fact that other materials and contracted services are now being indicated separately as a standard classification item. The growth in this group was limited to 5,6% and 8,2% in the outer years.

The following figure provides a breakdown of the main expenditure categories for the 2011/12 financial year:

Figure 1: Main operational expenditure categories for the 2011/12 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2011/12 budget and MTREF provide for growth in real terms in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the City.

Compared to the 2010/11 Approved Budget the repairs and maintenance group of expenditure has increased by 7,3% from R1 159,0 million to R1 243,2 million and increase to R1 390,2 million in the 2013/14 financial year, as indicated in the high level summary, an increase of 19,9%.

Table 16: Operational repairs and maintenance (primary cost only)

Description	Current Year 2010/11			2011/12 Medium Term Revenue and Expenditure		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R' thousand						
A = Total Repairs and Maintenance	1 159 035 217	1 059 308 749	1 059 308 749	1 243 209 594	1 294 097 220	1 390 171 754
B = Total Operating Expenditure	14 861 884 459	15 172 727 525	15 172 727 525	17 879 128 121	20 175 951 864	22 634 365 452
A/B %	8%	7%	7%	7%	6%	6%

In view of the above the percentage repairs and maintenance measured against the total operating budget equates to 7,0% in the 2011/12 year and maintain this level throughout the medium-term. It can further be deduced that the CoT is well within the average provision of repairs and maintenance and confirms the asset renewal strategy as modelled into the LTFM.

It should be noted that in terms of NT regulations and formats repairs and maintenance is divided between other materials, contracted services and other expenditure.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 17: Repairs and maintenance per asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	574 907	592 406	815 772	897 034	741 741	741 741	856 860	932 224	1 009 212
<u>Repairs and Maintenance by Asset Class</u>	1 465 128	1 759 311	1 740 091	1 690 116	1 585 947	1 585 947	1 960 183	2 065 839	2 218 035
<i>Infrastructure - Road transport</i>	284 593	327 081	339 548	279 808	275 599	275 599	370 372	403 188	430 904
<i>Infrastructure - Electricity</i>	392 949	536 182	525 746	466 065	394 029	394 029	433 426	464 049	499 708
<i>Infrastructure - Water</i>	175 078	187 878	185 359	186 486	174 715	174 715	196 630	211 542	226 767
<i>Infrastructure - Sanitation</i>	8 899	12 777	28 828	39 000	38 193	38 193	41 104	44 186	47 500
<i>Infrastructure - Other</i>	3 471	4 544	5 480	9 048	8 138	8 138	9 245	9 542	10 688
Infrastructure	864 989	1 068 562	1 084 961	980 408	890 674	890 674	1 050 780	1 132 907	1 215 567
Community	209 869	203 013	216 355	330 955	317 642	317 642	349 010	373 391	401 275
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	2	-	-	-	-	-	-
Other assets	390 270	487 736	438 773	378 753	377 631	377 631	560 393	559 541	601 193
TOTAL EXPENDITURE OTHER ITEMS	2 040 035	2 351 717	2 555 863	2 587 150	2 327 688	2 327 688	2 817 043	2 998 063	3 227 248

For the 2011/12 financial year, 53,6% or R1 050,8 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 22,1% (R433,4 million) followed by road infrastructure at 18,9% (R370,4 million), water at 10,0% (R196,6 million) and sanitation at 2,1% (R41,1 million). Community assets has been allocated R349,0 million of total repairs and maintenance equating to 17,8%.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. The target is to register 150 000 indigent households for the greater CoT area by 2016. The Indigent Exit Programme should be noted. Details relating to free services, cost of free services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 29 MBRR A10 (Basic Service Delivery Measurement).

The number of households in informal areas that receive free services and the cost of these services (eg the provision of water through stand pipes, water tankers, etc) are not taken into account in this table.

The proposed threshold for the registration of indigents is currently under review.

The cost of the social package of the registered indigent households is financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of the budgeted capital expenditure by Vote:

Table 18: 2011/12 Medium-term capital budget per vote

Description R thousand	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Agriculture & Environmental Management	80,795	3.3%	92,050	2.9%	73,410	1.8%	65,300	1.6%
City Planning	4,523	0.2%	1,148	0.0%	950	0.0%	950	0.0%
Community Safety	22,224	0.9%	16,127	0.5%	18,515	0.5%	12,032	0.3%
Corporate & Shared Services	110,247	4.5%	174,765	5.5%	185,709	4.7%	126,000	3.1%
Economic Development	10,590	0.4%	5,000	0.2%	3,500	0.1%	2,500	0.1%
Emergency Services	16,387	0.7%	27,529	0.9%	31,838	0.8%	23,418	0.6%
Financial Services	16,259	0.7%	24,443	0.8%	13,000	0.3%	13,000	0.3%
General Assessment	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Health & Social Development	26,316	1.1%	14,334	0.4%	49,000	1.2%	34,000	0.8%
Housing and Sustainable Human Settlement Development	132,162	5.5%	576,742	18.1%	546,742	13.8%	662,355	16.4%
Office of the Executive Mayor, Chief Whip, Speaker & City Manager	38,637	1.6%	45,924	1.4%	50,276	1.3%	65,292	1.6%
Public Works and Infrastructure Development	1,385,787	57.2%	1,343,206	42.2%	1,538,993	38.7%	1,542,972	38.1%
Sport, Recreation, Arts and Culture	31,000	1.3%	72,700	2.3%	115,000	2.9%	105,000	2.6%
Transport and Roads	549,354	22.7%	791,451	24.8%	1,348,151	33.9%	1,396,276	34.5%
Total Capital Budget	2,424,280	100.0%	3,185,418	100.0%	3,975,082	100.0%	4,049,095	100.0%

For the 2011/12 financial year an amount of R2,1 billion has been appropriated for the development of infrastructure which represents 67,0% of the total capital budget. For the outer years this amount totals R2,9 billion, 72,6% and R2,9 billion, 72,6% respectively for each of the financial years. Public Works and Infrastructure receives the highest allocation 42,2%, or R1,3 billion in 2011/12 followed by Transport and Roads at R791,5 million, 24,8%.

Total new assets represent 38,9% or R1,24 billion of the total capital budget while asset renewal equates to 61,1% or R1,95 billion. Further detail relating to asset classes and proposed capital expenditure is contained in Table 28 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

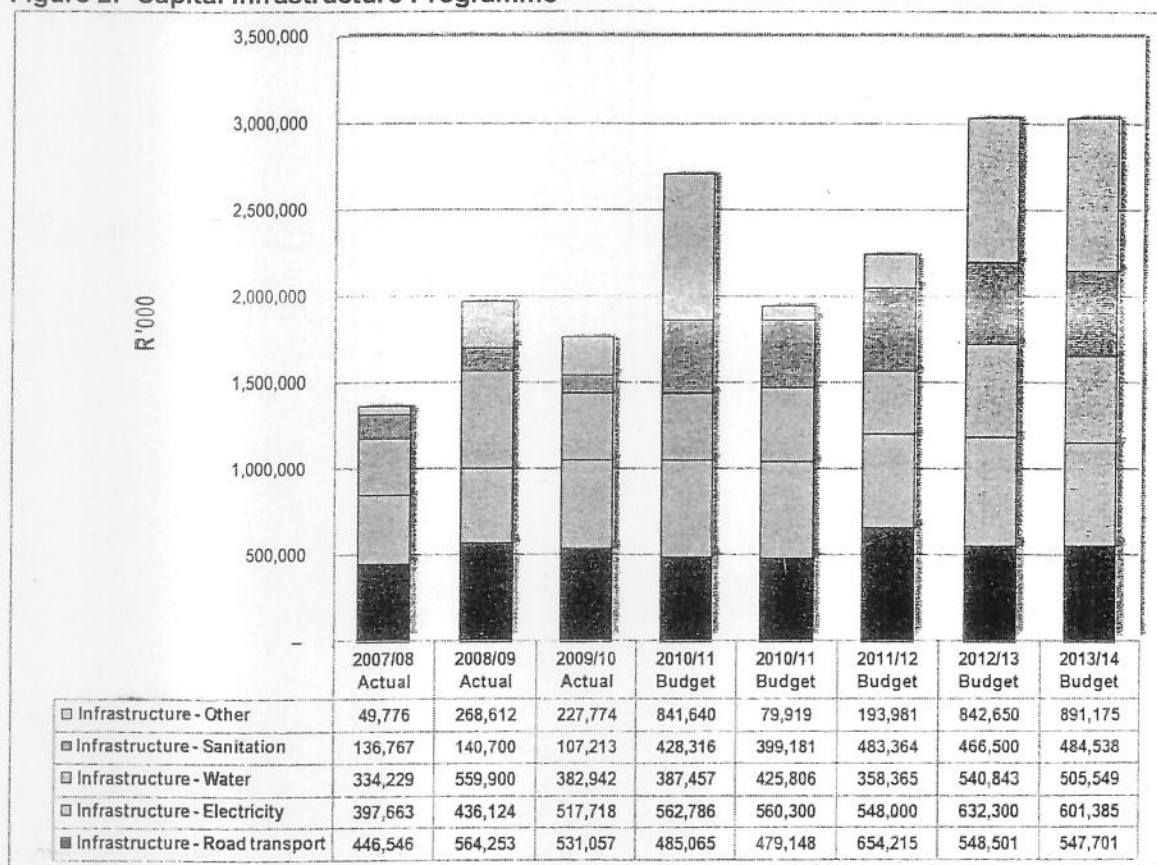
- Cemetery and crematorium development – R26,5 million;
- Parks, recreational facilities and swimming pools – R40,0 million;
- Transportation initiatives – R2,5 billion;
- Trading stalls for informal hawkers – R5,0 million;
- Fire fighting and security equipment – R60,0 million;
- Customer care offices – R16,0 million;
- Hostels – R116,0 million;
- Electricity for all (backlog eradication) – R269,0 million;
- Refurbishment and renewal electrical network – R40,0 million;
- Installation of prepaid meters – R100,0 million;
- New electricity infrastructure – R591,0 million;
- Public lighting – R113,0 million;
- Automated meter reading – R190,0 million;

- New waste water treatment works – R1,2 billion;
- Upgrading and renewal of sewers – R38,7 million;
- Bulk supply and backlog eradication of water - R558,0 million;
- Refurbishment and renewal of water network – R173,3 million;
- Backlog eradication of roads – R419,8 million;
- Backlog eradication of stormwater drainage – R90,0 million;
- Rehabilitation of roads – R130,0 million;
- Formalisation of Informal Settlement – R1,5 billion;
- Extension of clinics – R67,0 million;
- New connections – R72,0 million; and
- Flooding backlogs – R384,9 million.

Furthermore a detail breakdown of the capital budget per project over the medium-term is indicated in Table 85 MBRR SA36.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 2: Capital Infrastructure Programme



1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 84 MBRR SA35. This table indicates that future operational costs associated with the capital programme totals R35,9 million in 2011/12 and escalates to R65,9 million by 2013/14.

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

Parent Municipality

Table 19 - MBRR Table A1: Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousands									
Financial Performance									
Property rates	2 187 669	2 272 869	2 683 123	3 021 875	3 021 875	3 021 875	3 461 000	3 737 880	4 036 900
Service charges	4 838 959	5 615 671	7 146 595	8 450 827	8 599 330	8 599 330	10 489 789	12 303 932	14 416 072
Investment revenue	135 555	122 500	96 769	120 080	104 567	104 567	55 877	47 458	43 855
Transfers recognised - operational	1 392 035	1 624 272	1 809 504	1 975 514	2 206 008	2 206 008	2 363 729	2 518 178	2 668 776
Other own revenue	1 166 306	1 489 943	1 177 840	1 482 965	1 450 802	1 450 802	1 521 391	1 602 825	1 706 394
Total Revenue (excluding capital transfers and contributions)	9 720 523	11 125 254	12 913 631	15 052 261	15 382 582	15 382 582	17 891 785	20 210 273	22 871 998
Employee costs	2 821 003	3 009 111	3 516 465	3 451 283	3 538 606	3 538 606	4 828 223	5 306 008	5 690 569
Remuneration of councillors	44 201	55 351	56 016	66 438	66 388	66 388	90 293	99 068	108 721
Depreciation & asset impairment	574 907	592 406	815 772	897 034	741 741	741 741	856 860	932 224	1 009 212
Finance charges	372 545	518 422	594 922	715 617	644 189	644 189	737 058	800 637	904 755
Materials and bulk purchases	2 206 818	2 718 186	3 639 421	4 484 233	4 519 236	4 519 236	6 247 903	7 643 707	9 102 328
Transfers and grants	11 585	9 834	12 544	16 000	13 799	13 799	14 282	14 782	15 299
Other expenditure	4 024 316	4 386 860	4 589 519	5 199 135	5 614 915	5 614 915	5 104 509	5 379 526	5 803 482
Total Expenditure	9 855 375	11 290 169	13 224 660	14 831 720	15 138 875	15 138 875	17 879 128	20 175 952	22 634 365
Surplus/(Deficit)	(134 852)	(164 915)	(311 029)	220 540	243 706	243 706	12 657	34 321	237 631
Transfers recognised - capital	466 059	650 643	763 239	1 325 026	564 862	564 862	1 174 581	1 953 356	2 122 942
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573
Capital expenditure & funds sources									
Capital expenditure	1 757 876	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 105 410	3 975 082	4 049 095
Transfers recognised - capital	460 792	655 634	762 656	1 325 026	564 862	564 862	1 174 581	1 953 356	2 122 942
Public contributions & donations	-	138 622	237 440	87 700	127 131	127 131	130 724	133 370	136 071
Borrowing	442 741	1 590 068	720 000	1 000 000	1 361 000	1 361 000	1 500 000	1 500 000	1 500 000
Internally generated funds	854 343	301 188	484 318	782 249	371 288	371 288	388 113	388 357	290 082
Total sources of capital funds	1 757 876	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 185 418	3 975 082	4 049 095
Financial position									
Total current assets	3 303 326	4 000 077	4 033 749	5 007 808	5 708 946	5 708 946	6 167 526	7 224 670	8 601 149
Total non current assets	10 956 490	13 969 644	15 073 776	18 739 740	16 174 148	16 174 148	21 427 814	23 748 634	25 927 363
Total current liabilities	2 884 801	3 935 219	4 600 405	3 696 670	4 334 121	4 334 121	4 551 764	4 583 874	4 928 670
Total non current liabilities	3 740 226	5 812 631	5 833 038	7 120 589	7 479 792	7 479 792	7 944 922	9 493 434	10 829 113
Community wealth/Equity	7 636 789	8 221 871	8 674 081	12 930 288	10 069 181	10 069 181	15 098 653	16 896 996	18 974 080
Cash flows									
Net cash from (used) operating	2 036 931	2 156 354	1 956 145	2 757 466	1 452 673	1 452 673	2 176 311	3 062 787	3 502 360
Net cash from (used) investing	(2 543 206)	(3 626 457)	(1 929 551)	(2 664 489)	(1 931 071)	(1 931 071)	(2 454 319)	(3 281 674)	(3 315 732)
Net cash from (used) financing	96 219	1 469 889	522 931	443 652	800 760	800 760	1 043 447	1 203 797	1 079 720
Cash/cash equivalents at the year end	171 965	171 751	721 277	1 298 896	1 043 292	1 043 292	1 809 077	2 783 987	4 050 335
Cash backing/surplus reconciliation									
Cash and investments available	597 518	654 477	917 942	1 685 573	1 523 576	1 523 576	2 420 491	3 359 783	4 562 377
Application of cash and investments	221 040	970 394	1 680 650	707 113	575 028	575 028	921 010	1 002 118	1 285 531
Balance - surplus (shortfall)	376 478	(315 917)	(762 708)	978 460	948 548	948 548	1 489 482	2 357 665	3 276 846
Asset management									
Asset register summary (WCV)	9 575 902	12 823 004	14 489 873	19 559	133 902	133 902	147 288	152 674	155 056
Depreciation & asset impairment	574 907	592 406	815 772	897 034	741 741	741 741	856 860	932 224	1 009 212
Renewal of Existing Assets	1 414 103	1 896 330	1 303 907	1 568 782	1 656 778	1 656 778	1 947 446	2 121 237	2 236 245
Repairs and Maintenance	1 465 128	1 759 311	1 740 091	1 690 116	1 585 947	1 585 947	1 960 183	2 065 839	2 218 035
Free services									
Cost of Free Basic Services provided	0	79 926	159 164	186 066	186 066	186 066	213 067	305 881	413 421
Revenue cost of free services provided	75 851	166 919	330 012	373 497	373 497	373 497	411 930	564 877	746 180
Households below minimum service level									
Water:	10 037	4 280	2 722	1 731	1 731	1 731	9 214	9 509	9 204
Sanitation/sewage:	8 900	8 187	7 778	7 388	7 388	7 388	7 119	6 870	4 599
Energy:	65 194	52 792	51 073	49 172	49 172	49 172	54 625	51 839	48 503
Refuse:	145 111	121 981	106 009	94 569	94 569	94 569	113 948	113 059	111 684

Explanatory notes to MBRR Table A1 - Budget Summary

1. MBRR Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminate basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget; and
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation indicates that in previous financial years the municipality's obligations are not cash-backed. Consequently Council has taken a decision to ensure adequate cash-backing for all material obligations in accordance with the strategy towards reserves cash backing. This cannot be achieved in one financial year. However, over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-backed will be achieved over the medium-term.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 20 - MBRR Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard									
<i>Governance and administration</i>	3 802 282	4 264 723	4 735 453	5 177 614	5 225 543	5 225 543	5 994 466	6 445 361	6 903 994
Executive and council	21 800	76 308	85 376	23 038	91 283	91 283	60 140	50 148	65 156
Budget and treasury office	0	(11)	-	-	1 843	1 843	7 756	7 542	7 578
Corporate services	3 780 482	4 188 426	4 650 077	5 154 575	5 132 417	5 132 417	5 926 569	6 387 671	6 831 260
<i>Community and public safety</i>	508 274	514 277	253 705	238 869	241 962	241 962	702 503	742 628	855 872
Community and social services	133 867	19 457	17 146	24 930	26 467	26 467	38 530	28 622	29 667
Sport and recreation	58 055	54 209	62 325	20 322	18 661	18 661	61 858	53 624	54 642
Public safety	50 310	41 160	31 190	74 633	70 267	70 267	61 648	64 835	68 187
Housing	199 359	331 922	67 157	40 096	44 208	44 208	449 400	492 740	596 806
Health	66 683	67 528	75 886	78 889	82 358	82 358	91 068	102 807	106 570
<i>Economic and environmental services</i>	485 593	584 290	803 128	1 321 485	766 819	766 819	774 121	1 339 485	1 406 606
Planning and development	119 252	125 413	106 882	113 617	115 952	115 952	122 765	127 658	132 785
Road transport	366 283	458 346	695 418	1 207 708	649 430	649 430	651 187	1 211 650	1 273 633
Environmental protection	58	530	829	160	1 437	1 437	169	178	188
<i>Trading services</i>	5 263 958	6 275 115	7 738 393	9 462 869	9 554 881	9 554 881	11 428 399	13 460 163	15 642 859
Electricity	3 191 679	3 950 510	5 304 944	6 527 982	6 479 737	6 479 737	7 957 716	9 488 415	11 250 706
Water	1 382 402	1 480 650	1 526 547	1 748 138	1 866 736	1 866 736	2 196 828	2 374 837	2 646 738
Waste water management	383 281	477 671	497 157	679 403	701 557	701 557	677 712	914 638	960 585
Waste management	306 596	356 285	409 745	507 147	506 851	506 851	596 143	682 273	784 830
Other	126 475	137 494	146 191	176 650	158 238	158 238	166 877	175 992	185 607
Total Revenue - Standard	10 186 582	11 775 897	13 676 870	16 377 287	15 947 443	15 947 443	19 066 366	22 163 629	24 994 938
Expenditure - Standard									
<i>Governance and administration</i>	2 615 807	2 507 662	2 797 399	2 683 095	2 780 259	2 780 259	3 209 005	3 411 980	3 733 506
Executive and council	199 596	359 121	474 571	379 466	384 401	384 401	420 293	443 153	475 380
Budget and treasury office	13 828	13 858	15 680	17 289	18 901	18 901	83 997	88 632	94 272
Corporate services	2 402 383	2 134 683	2 307 149	2 286 340	2 376 957	2 376 957	2 687 715	2 879 994	3 163 848
<i>Community and public safety</i>	1 689 283	1 939 395	2 119 777	2 408 109	2 451 363	2 451 363	2 946 422	3 178 166	3 406 833
Community and social services	187 143	221 661	240 960	313 656	315 643	315 643	294 614	317 595	339 334
Sport and recreation	401 350	466 929	552 267	604 622	629 057	629 057	704 967	787 026	851 628
Public safety	646 403	674 331	802 854	934 629	927 873	927 873	1 260 688	1 334 832	1 413 028
Housing	279 141	385 891	297 016	328 337	349 828	349 828	404 504	425 960	466 770
Health	175 246	190 583	226 680	226 885	228 961	228 961	281 650	312 753	336 073
<i>Economic and environmental services</i>	944 599	1 175 532	1 350 457	1 589 485	1 732 142	1 732 142	1 706 750	1 861 741	2 000 286
Planning and development	189 664	226 787	227 762	299 363	289 034	289 034	310 046	333 970	353 275
Road transport	718 204	908 605	1 077 732	1 238 060	1 391 076	1 391 076	1 321 442	1 447 345	1 569 044
Environmental protection	36 731	40 140	44 964	52 062	52 032	52 032	75 263	80 426	85 967
<i>Trading services</i>	4 495 614	5 561 573	6 836 879	7 983 429	8 025 024	8 025 024	9 880 023	11 566 924	13 317 748
Electricity	2 729 799	3 576 396	4 509 701	5 406 037	5 331 549	5 331 549	6 675 028	8 052 059	9 456 080
Water	1 073 103	1 144 342	1 286 049	1 435 379	1 511 831	1 511 831	1 803 214	1 974 799	2 208 807
Waste water management	259 486	279 996	312 715	393 963	399 537	399 537	441 290	489 447	539 713
Waste management	433 226	560 838	728 414	748 050	782 107	782 107	960 491	1 050 618	1 113 149
Other	110 072	106 008	120 147	167 602	150 088	150 088	145 928	157 142	167 999
Total Expenditure - Standard	9 855 375	11 290 169	13 224 660	14 831 720	15 138 875	15 138 875	17 879 128	20 175 952	22 634 365
Surplus/(Deficit) for the year	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. MBRR Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable National Treasury to compile 'whole of government' reports.
2. It should be noted that the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on MBRR Table A4.
3. It should be noted that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not for the Waste management function as this function is currently operating at a deficit. The municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure. Currently a 17%, 15% and 15% tariff increase is proposed over the medium-term.
4. Other functions that show a deficit between revenue and expenditure are being financed from property rates revenue and other revenue sources.

Table 21 - MBRR Table A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue by Vote									
Agriculture & Environmental Management	425 877	488 494	544 108	643 722	651 055	651 055	759 598	840 824	951 921
City Planning	117 226	122 633	102 970	107 149	109 482	109 482	116 142	120 875	125 833
Community Safety	145 204	139 828	132 652	143 145	161 165	161 165	157 537	165 831	174 563
Corporate & Shared Services	44 695	51 702	50 900	60 979	61 553	61 553	65 768	69 385	73 201
Economic Development	1 793	2 781	3 913	2 968	2 970	2 970	3 123	3 283	3 452
Emergency Services	43 034	44 354	51 806	51 070	52 671	52 671	57 038	59 939	60 504
Financial Services	63 067	118 197	131 589	148 960	138 007	138 007	95 069	88 339	86 779
General Assessment	3 673 434	4 019 056	4 468 915	4 945 637	4 934 599	4 934 599	5 773 382	6 237 378	6 678 740
Health & Social Development	27 022	25 381	26 431	30 479	32 368	32 368	36 858	45 852	49 214
Housing and Sustainable Human Settlement Development	199 359	331 922	67 157	40 096	44 208	44 208	449 400	492 740	596 806
Office of the Executive Mayor, Chief Whip, Speaker & City Manager	21 243	75 635	83 494	25 500	94 899	94 899	63 763	53 778	68 793
Public Works and Infrastructure Development	4 957 362	5 918 830	7 328 648	8 955 522	9 048 030	9 048 030	10 832 256	12 777 890	14 858 029
Sport, Recreation, Arts and Culture	157 690	38 456	53 748	12 388	14 860	14 860	55 724	48 955	49 304
Transport and Roads	309 575	398 618	630 540	1 209 672	601 573	601 573	600 707	1 158 561	1 217 799
Total Revenue by Vote	10 186 582	11 775 897	13 676 870	16 377 287	15 947 443	15 947 443	19 066 366	22 163 629	24 994 938
Expenditure by Vote to be appropriated									
Agriculture & Environmental Management	863 512	1 031 934	1 284 025	1 355 264	1 403 368	1 403 368	1 659 745	1 828 506	1 950 647
City Planning	130 884	141 282	148 491	182 958	180 627	180 627	197 154	214 490	226 522
Community Safety	581 594	611 105	698 605	820 601	808 869	808 869	1 088 761	1 153 124	1 221 004
Corporate & Shared Services	839 851	819 496	982 912	1 032 200	1 036 464	1 036 464	1 221 890	1 259 800	1 339 515
Economic Development	45 250	67 007	56 724	87 885	69 652	69 652	70 201	73 660	77 846
Emergency Services	193 164	196 097	272 366	294 869	304 451	304 451	378 720	406 775	433 100
Financial Services	409 854	530 073	560 290	801 454	748 421	748 421	808 950	847 721	908 801
General Assessment	1 154 303	799 949	795 240	504 279	629 665	629 665	732 885	855 167	1 004 784
Health & Social Development	186 309	215 225	237 890	287 005	287 701	287 701	310 983	340 279	365 062
Housing and Sustainable Human Settlement Development	290 003	397 164	303 018	345 325	356 265	356 265	410 938	432 511	473 527
Office of the Executive Mayor, Chief Whip, Speaker & City Manager	225 447	390 109	510 577	372 398	412 607	412 607	506 518	525 045	561 600
Public Works and Infrastructure Development	4 062 387	5 000 735	6 108 731	7 236 667	7 245 407	7 245 407	8 922 707	10 519 695	12 208 223
Sport, Recreation, Arts and Culture	152 738	187 241	200 192	247 753	260 034	260 034	240 687	262 770	285 010
Transport and Roads	720 078	902 747	1 065 600	1 263 062	1 395 346	1 395 346	1 328 989	1 456 407	1 578 624
Total Expenditure by Vote	9 855 375	11 290 169	13 224 660	14 831 720	15 138 875	15 138 875	17 879 128	20 175 952	22 634 365
Surplus/(Deficit) for the year	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. MBRR Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the City. This indicates the operating surplus or deficit of a vote.

The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 22 - Surplus/(Deficit) calculations for the trading services

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Electricity									
Total Revenue (incl capital grants and transfers)	3,191,679	3,950,510	5,304,944	6,527,982	6,479,737	6,479,737	7,357,716	9,488,415	11,250,706
Operating expenditure	2,729,799	3,576,396	4,509,701	5,406,037	5,331,549	5,331,549	6,675,028	8,052,059	9,456,080
Surplus/(deficit) for the year	461,881	374,113	795,243	1,121,945	1,148,188	1,148,188	1,282,689	1,436,355	1,794,626
Percentage Surplus	14%	9%	15%	17%	18%	18%	16%	15%	16%
Water									
Total Revenue (incl capital grants and transfers)	1,382,402	1,490,650	1,526,547	1,748,138	1,866,736	1,866,736	2,196,828	2,374,837	2,646,738
Operating expenditure	1,073,103	1,144,342	1,266,049	1,435,379	1,511,831	1,511,831	1,803,214	1,974,799	2,208,807
Surplus/(deficit) for the year	309,299	346,307	240,498	312,759	354,906	354,906	393,613	400,039	437,931
Percentage Surplus	22%	23%	16%	18%	19%	19%	18%	17%	17%

1. The electricity trading surplus is stable at 16% for the 2011/12 to 2013/14 financial years respectively. This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
2. The surplus on the water account decrease over the MTREF translating into a surplus of 18%, 17% and 17% for each of the respective financial years.
3. It should be noted that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 23 - MBRR Table A4: Budgeted Financial Performance (revenue and expenditure)

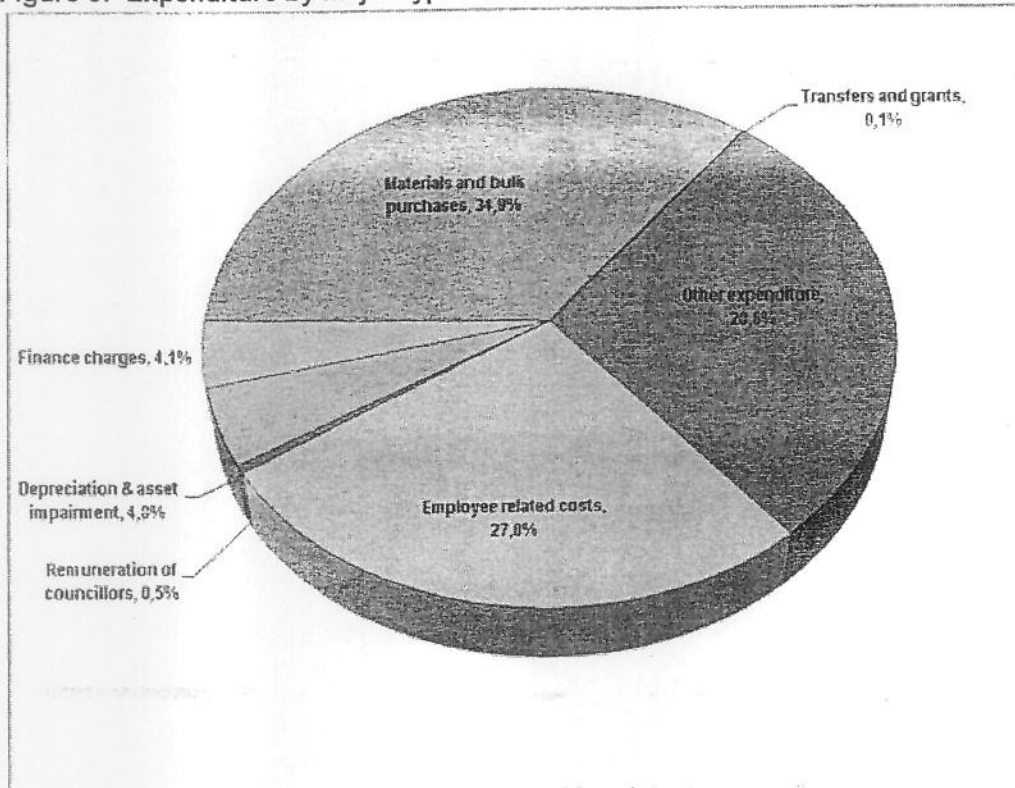
Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Revenue By Source									
Property rates	2 187 669	2 272 869	2 683 123	3 021 875	3 021 875	3 021 875	3 461 000	3 737 880	4 036 900
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	3 034 977	3 646 278	5 014 279	6 010 000	6 010 000	6 010 000	7 463 000	8 946 128	10 673 867
Service charges - water revenue	1 232 886	1 317 503	1 395 064	1 618 400	1 738 403	1 738 403	2 025 901	2 237 653	2 483 714
Service charges - sanitation revenue	303 406	335 760	371 961	392 543	418 543	418 543	484 497	523 335	565 288
Service charges - refuse revenue	267 689	316 129	365 290	429 884	432 384	432 384	516 390	556 817	693 203
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	84 317	86 847	88 930	105 503	107 919	107 919	114 400	120 692	127 330
Interest earned - external investments	135 555	122 500	96 769	120 080	104 567	104 567	55 877	47 458	43 855
Interest earned - outstanding debtors	179 065	337 525	283 126	351 148	274 386	274 386	293 108	327 566	366 074
Dividends received	-	-	-	-	-	-	-	-	-
Fines	39 357	18 676	4 512	31 000	30 422	30 422	2 202	2 312	2 428
Licences and permits	29 499	28 424	25 262	34 783	34 529	34 529	47 216	49 612	52 129
Agency services	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	1 392 035	1 624 272	1 809 504	1 976 514	2 206 008	2 206 008	2 363 729	2 518 178	2 668 776
Other revenue	829 131	1 015 692	775 810	955 581	1 003 544	1 003 544	1 064 465	1 102 643	1 158 433
Gains on disposal of PPE	4 937	2 779	-	4 950	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	9 720 523	11 125 254	12 913 631	15 052 261	15 382 582	15 382 582	17 891 785	20 210 273	22 871 996
Expenditure By Type									
Employee related costs	2 621 003	3 009 111	3 516 465	3 451 263	3 538 606	3 538 606	4 828 223	5 306 008	5 590 569
Remuneration of councillors	44 201	55 351	56 016	66 438	66 388	66 388	90 293	99 068	108 721
Debt impairment	280 647	376 125	1 014 557	432 387	528 801	528 801	840 147	965 609	1 110 278
Depreciation & asset impairment	574 907	592 406	815 772	897 034	741 741	741 741	856 860	932 224	1 009 212
Finance charges	372 545	518 422	504 922	715 617	644 189	644 189	737 058	800 637	904 755
Bulk purchases	2 206 616	2 718 186	3 639 421	4 464 233	4 519 230	4 519 236	5 650 050	7 013 702	8 427 076
Other materials	-	-	-	-	-	-	587 853	630 005	675 252
Contracted services	-	-	-	-	-	-	3 278 298	3 372 297	3 566 310
Transfers and grants	11 585	9 834	12 544	18 000	13 799	13 799	14 282	14 782	15 299
Other expenditure	3 720 317	4 001 666	3 571 835	4 761 671	5 086 114	5 086 114	986 064	1 041 621	1 126 894
Loss on disposal of PPE	23 352	9 069	3 127	5 077	-	-	-	-	-
Total Expenditure	9 855 375	11 290 169	13 224 660	14 831 720	15 138 675	15 138 675	17 879 128	20 175 952	22 634 365
Surplus/(Deficit)	(134 852)	(164 915)	(311 029)	220 540	243 706	243 706	12 657	34 321	237 631
Transfers recognised - capital	466 059	650 643	763 239	1 325 026	564 862	564 862	1 174 581	1 953 356	2 122 942
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	331 207	485 728	452 210	1 545 566	808 568	808 568	1 187 238	1 987 677	2 360 573

Explanatory notes to MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue equates to R17,9 billion in 2011/12 and escalates to R22,9 billion by 2013/14. This represents a year-on-year increase of 13,0% for the 2012/13 financial year and 13,2% for the 2013/14 financial year.
2. Revenue to be generated from property rates is R3,46 billion in the 2011/12 financial year and increases to R4,04 billion by 2013/14 which represents 17,7% of the operating revenue base of the City and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 8% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R10,5 billion for the 2011/12 financial year and increase to R14,4 billion by 2013/14. For the 2011/12 financial year services charges amount to 58,6% of the total revenue base and grows on average by 17,2% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 6,5% and 6,0% for the two outer years.

The following graph illustrates the major expenditure items per type.

Figure 3: Expenditure by major type



Bulk purchases have significantly increased over the 2007/08 to 2013/14 period escalating from R2,2 billion to R8,4 billion. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.

Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 24 - MBRR Table A5: Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Agriculture & Environmental Management	59 684	104 920	59 874	79 995	80 795	80 785	79 850	73 410	65 300
City Planning	4 284	7 297	20	1 113	1 023	1 023	1 148	950	950
Community Safety	10 905	17 259	55 279	22 224	22 224	22 224	16 127	18 515	12 032
Corporate & Shared Services	51 946	79 941	85 202	131 517	107 047	107 047	174 765	185 709	126 000
Economic Development	4 355	12 057	10 871	10 590	10 590	10 590	5 000	3 500	2 500
Emergency Services	9 763	12 828	9 583	16 387	16 387	16 387	27 529	31 838	23 418
Financial Services	10 843	11 838	3 778	16 259	16 259	16 259	24 443	13 000	13 000
General Assessment	-	-	-	-	-	-	-	-	-
Health & Social Development	6 273	8 775	11 217	30 216	26 316	26 316	14 334	49 000	34 000
Housing and Sustainable Human Settlement Development	186 957	283 853	168 047	144 959	132 162	132 162	561 742	546 742	662 355
Office of the Executive Mayor, Chief Whip, Speaker & City Manager	2 471	926	6 768	38 707	38 637	38 637	45 924	50 276	65 292
Public Works and Infrastructure Development	864 391	1 169 195	1 030 956	1 364 558	1 385 787	1 385 787	1 314 908	1 538 993	1 542 972
Sport, Recreation, Arts and Culture	66 666	175 402	56 738	31 000	30 300	30 300	71 450	115 000	105 000
Transport and Roads	444 680	767 806	730 862	1 294 901	503 204	503 204	786 551	1 348 151	1 386 276
Capital multi-year expenditure sub-total	1 723 217	2 652 095	2 209 194	3 182 425	2 370 730	2 370 730	3 123 768	3 975 082	4 049 095
Single-year expenditure to be appropriated									
Agriculture & Environmental Management	255	797	(797)	800	-	-	12 200	-	-
City Planning	-	-	-	3 500	3 500	3 500	-	-	-
Community Safety	877	3 524	-	-	-	-	-	-	-
Corporate & Shared Services	1 647	-	-	200	3 200	3 200	-	-	-
Economic Development	-	3 013	-	-	-	-	-	-	-
Emergency Services	-	-	-	-	-	-	-	-	-
Financial Services	288	-	-	-	-	-	-	-	-
General Assessment	-	-	-	-	-	-	-	-	-
Health & Social Development	-	-	-	-	-	-	-	-	-
Housing and Sustainable Human Settlement Development	-	-	-	-	-	-	15 000	-	-
Office of the Executive Mayor, Chief Whip, Speaker & City Manager	-	3 209	-	-	-	-	-	-	-
Public Works and Infrastructure Development	4 460	1 587	(1 894)	-	-	-	28 300	-	-
Sport, Recreation, Arts and Culture	-	2 785	-	7 000	700	700	1 250	-	-
Transport and Roads	27 131	18 501	(2 089)	1 050	46 150	46 150	4 900	-	-
Capital single-year expenditure sub-total	34 658	33 416	(4 781)	12 550	53 550	53 550	61 650	-	-
Total Capital Expenditure - Vote	1 757 876	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 185 418	3 975 082	4 049 095
Capital Expenditure - Standard									
Governance and administration	67 195	95 671	75 705	173 897	161 857	161 857	231 851	248 155	204 000
Executive and council	-	4 258	7 243	39 506	39 466	39 466	46 100	50 000	65 000
Budget and treasury office	-	272	58	1 259	1 259	1 259	1 443	-	-
Corporate services	67 195	91 141	68 404	133 132	121 132	121 132	184 308	198 155	139 000
Community and public safety	306 737	561 856	337 308	305 070	272 274	272 274	765 688	788 798	861 305
Community and social services	11 901	8 726	7 431	49 500	33 400	33 400	59 706	33 554	20 000
Sport and recreation	82 637	229 121	87 240	43 685	43 285	43 285	71 250	109 150	109 500
Public safety	20 667	31 430	63 374	36 711	37 111	37 111	43 656	80 353	35 450
Housing	186 957	283 853	168 047	144 959	132 162	132 162	576 742	546 742	662 355
Health	4 574	8 725	11 217	30 216	26 316	26 316	14 334	49 000	34 000
Economic and environmental services	483 302	680 074	725 220	1 315 240	535 553	535 553	790 422	1 348 426	1 397 543
Planning and development	8 638	22 609	10 935	15 489	15 399	15 399	7 072	4 726	3 742
Road transport	470 624	656 066	711 409	1 295 951	516 354	516 354	776 951	1 336 201	1 385 201
Environmental protection	4 040	1 399	2 876	3 800	3 800	3 800	6 400	7 500	8 600
Trading services	881 574	1 190 168	1 042 777	1 379 018	1 403 906	1 403 906	1 358 206	1 555 493	1 559 472
Electricity	398 567	469 907	535 217	548 796	560 800	560 800	527 545	544 800	572 885
Water	304 860	408 899	280 291	246 250	275 506	275 506	191 086	202 180	220 880
Waste water management	165 424	291 975	233 554	569 523	549 481	549 481	624 573	792 013	749 207
Waste management	12 723	19 386	13 716	14 460	18 119	18 119	15 000	16 500	16 500
Other	19 067	157 742	23 404	21 750	59 691	59 691	39 250	34 210	26 775
Total Capital Expenditure - Standard	1 757 876	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 185 418	3 975 082	4 049 095
Funded by:									
National Government	398 602	526 038	732 481	1 319 628	558 258	558 258	1 159 581	1 940 356	2 110 942
Provincial Government	62 191	129 596	30 174	5 400	6 604	6 604	15 000	13 000	12 000
District Municipality	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	460 792	655 634	762 656	1 325 026	564 862	564 862	1 174 581	1 953 356	2 122 942
Public contributions & donations	-	138 622	237 440	87 700	127 131	127 131	130 724	133 370	136 071
Borrowing	442 741	1 590 068	720 000	1 000 000	1 361 000	1 361 000	1 500 000	1 500 000	1 500 000
Internally generated funds	854 343	301 188	484 318	782 249	371 288	371 288	380 113	368 357	290 082
Total Capital Funding	1 757 876	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 185 418	3 975 082	4 049 095

Explanatory notes to MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2011/12 R3,1 billion has been allocated of the total R3,2 billion capital budget, which totals 98,0%. This allocation escalates in 2012/13 and 2013/14 owing primarily to the fact that most projects does not reach completion in this MTREF.
3. Single-year capital expenditure has been appropriated at R61,7 million for the 2011/12 financial year and becomes zero for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as upgrading of stadiums, community halls, waste management, development of cemeteries in Metsweding, as well as the procurement of specialized vehicles for the Tshwane Market. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from national and provincial grants and transfers, public contributions and donations; issuing of bonds and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R1,2 billion (36,9%) and escalates to R2,1 billion by 2013/14 (52,4%). Issuing of bonds has been provided at R1,5 billion over the MTREF with internally generated funding totaling R380,1 million, R388,4 million and R290,1 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 25 - MBRR Table A6: Budgeted Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
ASSETS									
Current assets									
Cash	43 237	89 562	93 218	–	50 000	50 000	150 000	158 250	166 954
Call investment deposits	235 136	177 605	641 037	1 298 896	1 093 292	1 093 292	1 959 077	2 942 237	4 217 289
Consumer debtors	2 383 991	2 645 960	2 301 899	2 775 636	3 429 475	3 429 475	3 047 270	3 120 186	3 153 942
Other debtors	320 983	720 419	687 153	545 819	808 559	808 559	650 603	617 960	648 858
Current portion of long-term receivables	103 377	124 227	127 376	131 657	134 252	134 252	151 984	165 973	181 939
Inventory	216 602	242 304	183 066	255 800	193 368	193 368	208 592	220 064	232 168
Total current assets	3 303 326	4 000 077	4 033 749	5 007 808	5 708 946	5 708 946	6 167 526	7 224 670	8 601 149
Non current assets									
Long-term receivables	189 763	182 149	209 128	198 326	252 861	252 861	289 046	316 577	348 243
Investments	425 553	482 727	196 665	386 677	380 284	380 284	311 414	259 296	178 135
Investment property	10 936	8 005	6 180	–	4 375	4 375	2 550	724	–
Investment in Associate	–	–	–	–	–	–	–	–	–
Property, plant and equipment	10 219 462	13 123 564	14 538 674	18 135 178	15 407 101	15 407 101	20 680 056	23 020 087	25 245 926
Agricultural	–	–	–	–	–	–	–	–	–
Biological	14 741	17 008	13 322	19 559	13 322	13 322	14 055	14 828	15 644
Intangible	98 035	156 191	109 806	–	116 204	116 204	130 683	137 122	139 415
Other non-current assets	–	–	–	–	–	–	–	–	–
Total non current assets	10 958 490	13 969 644	15 073 776	18 739 740	16 174 148	16 174 148	21 427 814	23 748 634	25 927 363
TOTAL ASSETS	14 261 816	17 969 721	19 107 525	23 747 548	21 883 094	21 883 094	27 595 340	30 973 304	34 528 511
LIABILITIES									
Current liabilities									
Bank overdraft	106 407	95 417	12 979	–	–	–	–	–	–
Borrowing	322 821	306 170	620 517	368 049	694 675	694 675	612 666	440 357	569 375
Consumer deposits	267 979	282 760	319 509	295 626	325 900	325 900	349 486	356 476	363 605
Trade and other payables	2 187 594	3 250 872	3 647 399	3 032 995	3 313 546	3 313 546	3 589 612	3 787 041	3 995 328
Provisions	–	–	–	–	–	–	–	–	–
Total current liabilities	2 884 801	3 935 219	4 600 405	3 696 670	4 334 121	4 334 121	4 551 764	4 583 874	4 928 309
Non current liabilities									
Borrowing	2 811 879	4 298 419	4 507 003	5 633 692	6 025 282	6 025 282	6 310 420	7 687 147	8 638 597
Provisions	928 347	1 514 212	1 326 035	1 486 897	1 454 510	1 454 510	1 634 502	1 806 287	1 987 515
Total non current liabilities	3 740 226	5 812 631	5 833 038	7 120 589	7 479 792	7 479 792	7 944 922	9 493 434	10 626 113
TOTAL LIABILITIES	6 625 027	9 747 850	10 433 443	10 817 259	11 813 913	11 813 913	12 496 687	14 077 308	15 554 422
NET ASSETS	7 636 789	8 221 871	8 674 081	12 930 288	10 069 181	10 069 181	15 098 653	16 895 996	18 974 090
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	859 522	885 042	1 272 504	4 457 267	2 909 935	2 909 935	2 719 682	4 998 276	7 778 752
Reserves	6 777 267	7 336 830	7 401 578	8 473 022	7 159 246	7 159 246	12 378 971	11 897 720	11 195 338
Minorities' interests	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	7 636 789	8 221 871	8 674 081	12 930 288	10 069 181	10 069 181	15 098 653	16 895 996	18 974 090

Explanatory notes to MBRR Table A6 - Budgeted Financial Position

1. MBRR Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; ie assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. This table is supported by an extensive table of notes (MBRR SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves.
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 26 - MBRR Table A7: Budgeted Cash Flow Statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	10,349,844	10,620,301	12,797,611	12,185,795	12,017,043	12,017,043	14,229,903	16,212,222	18,513,685
Government - operating	-	-	-	1,976,514	2,206,008	2,206,008	2,363,729	2,518,178	2,668,776
Government - capital	-	-	-	1,325,026	564,862	564,862	1,174,581	1,953,356	2,122,942
Interest	135,555	122,500	96,769	120,080	104,567	104,567	55,877	47,458	43,855
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(8,079,186)	(8,068,025)	(10,343,313)	(12,116,331)	(12,777,999)	(12,777,999)	(14,896,441)	(16,863,009)	(18,926,844)
Finance charges	(369,282)	(518,422)	(594,922)	(715,617)	(648,008)	(648,008)	(737,058)	(800,637)	(904,755)
Transfers and Grants	-	-	-	(18,000)	(13,799)	(13,799)	(14,282)	(14,782)	(15,299)
NET CASH FROM/(USED) OPERATING ACTIVITIES	2,036,931	2,156,354	1,956,145	2,757,466	1,452,673	1,452,673	2,176,311	3,052,787	3,502,380
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	4,937	(76,306)	254,805	4,950	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	198,063	198,063	274,358	243,782	249,615
Decrease (increase) other non-current receivables	(3,727)	(24,521)	(22,025)	-	194,475	194,475	69,329	-	-
Decrease (increase) in non-current investments	(14,269)	-	-	317,863	(166,000)	(166,000)	68,670	52,118	78,639
Payments									
Capital assets	(2,530,147)	(3,525,630)	(2,162,330)	(2,987,302)	(2,157,610)	(2,157,610)	(2,866,876)	(3,577,574)	(3,644,186)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(2,543,206)	(3,626,457)	(1,929,551)	(2,664,489)	(1,931,071)	(1,931,071)	(2,454,319)	(3,281,674)	(3,315,732)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/ refinancing	442,741	1,590,068	720,000	1,000,000	1,361,000	1,361,000	1,500,000	1,500,000	1,500,000
Increase (decrease) in consumer deposits	-	-	-	-	6,390	6,390	23,586	6,990	7,130
Payments									
Repayment of borrowing	(346,522)	(120,179)	(197,069)	(556,346)	(566,630)	(566,630)	(420,140)	(303,192)	(427,410)
NET CASH FROM/(USED) FINANCING ACTIVITIES	96,219	1,469,889	522,931	443,652	800,760	800,760	1,043,447	1,203,797	1,079,720
NET INCREASE/ (DECREASE) IN CASH HELD	(410,056)	(215)	549,526	536,629	322,362	322,362	765,438	974,910	1,266,348
Cash/cash equivalents at the year begin:	582,022	171,965	171,751	762,267	720,930	720,930	1,043,639	1,809,077	2,783,987
Cash/cash equivalents at the year end:	171,965	171,751	721,277	1,298,896	1,043,292	1,043,292	1,809,077	2,783,987	4,050,335

Explanatory notes to MBRR Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the City was a challenge during the 2007/08 to 2008/09 period owing to the economic climate and recession.
4. The approved 2010/11 MTREF provide for a net increase in cash of R536,6 million for the 2010/11 financial year resulting in an overall projected positive cash position of R1,299 billion at year end.
5. As part of the 2010/11 mid-year review and Adjustments Budget this positive cash position was sustained through the continuous implementation of various interventions such as the reduction of expenditure allocations and rationalization of spending priorities.
6. In addition the City undertook an extensive debt collection drive resulting in cash receipts on arrear debtors of R198,1 million. These interventions translated into a net cash position of R1,043 million for the 2010/11 financial year.
7. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R1,8 billion at the end of the 2011/12 financial year and escalates to R4,1 billion by 2013/14.

Table 27 - MBRR Table A8: Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available									
Cash/cash equivalents at the year end	171,965	171,751	721,277	1,298,896	1,043,292	1,043,292	1,809,077	2,783,987	4,050,335
Other current investments > 90 days	-	-	-	-	100,000	100,000	300,000	316,500	333,908
Non current assets - Investments	425,553	482,727	196,665	386,677	380,264	380,264	311,414	259,296	178,135
Cash and investments available:	597,518	654,477	917,942	1,685,573	1,523,576	1,523,576	2,420,491	3,359,783	4,562,377
Application of cash and investments									
Unspent conditional transfers	329,396	420,556	399,774	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-
Other working capital requirements	(1,070,382)	(362,722)	287,832	(129,625)	(466,622)	(466,622)	117,811	217,981	373,516
Other provisions	-	-	-	-	-	-	88,921	93,812	98,972
Long term investments committed	601,641	639,762	717,102	560,570	720,457	720,457	327,889	291,814	210,653
Reserves to be backed by cash/investments	360,386	272,799	275,942	276,167	321,193	321,193	386,389	398,512	602,391
Total Application of cash and investments:	221,040	970,394	1,680,650	707,113	575,028	575,028	921,010	1,002,118	1,285,531
Surplus(shortfall)	376,478	(315,917)	(762,708)	978,460	948,548	948,548	1,499,482	2,357,665	3,276,846

Explanatory notes to MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2007/08 to 2010/11 the surplus increased from R376,5 million to R948,5 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. In view of the above the budget has been modelled to increase the surplus from R1,499 million in 2011/12 to R3,277 million by 2013/14.

Table 28 - MBRR Table A9: Asset Management

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CAPITAL EXPENDITURE									
Total New Assets	343 773	789 181	900 417	1 626 193	767 502	767 502	1 237 970	1 853 845	1 812 850
Infrastructure - Road transport	217 635	342 671	375 985	383 331	301 525	301 525	475 375	448 601	442 701
Infrastructure - Electricity	30 380	43 383	225 295	271 000	256 000	256 000	288 000	317 000	268 000
Infrastructure - Water	14 043	20 366	45 812	55 500	51 421	51 421	110 400	94 500	99 000
Infrastructure - Sanitation	3 523	6 800	9 023	-	-	-	12 700	4 000	4 000
Infrastructure - Other	9 444	182 347	148 488	821 180	54 800	54 800	157 531	809 450	857 175
Infrastructure	275 024	575 567	804 404	1 531 011	663 746	663 746	1 044 008	1 673 551	1 870 876
Community	57 074	156 653	75 664	70 050	78 050	78 050	112 256	152 554	127 000
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	19 360	13 111	-	-	-	55 000	-	-
Other assets	11 675	37 602	7 218	25 132	25 708	25 708	26 707	27 741	14 974
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	1 414 103	1 898 330	1 303 997	1 568 782	1 656 778	1 656 778	1 947 448	2 121 237	2 236 245
Infrastructure - Road transport	228 912	221 582	155 072	101 734	177 623	177 623	178 840	99 900	105 000
Infrastructure - Electricity	367 283	392 741	292 423	291 788	304 300	304 300	280 000	300 000	333 285
Infrastructure - Water	320 188	539 535	337 330	331 957	374 385	374 385	247 965	448 343	408 549
Infrastructure - Sanitation	133 244	133 900	98 190	428 316	399 181	399 181	470 664	462 500	480 538
Infrastructure - Other	40 322	106 265	79 285	20 460	25 119	25 119	36 450	33 200	34 000
Infrastructure	1 089 957	1 394 022	962 301	1 174 252	1 280 607	1 280 607	1 193 919	1 357 243	1 359 472
Community	45 883	101 190	87 129	108 691	107 991	107 991	62 550	74 200	84 800
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	186 957	264 398	154 405	144 000	130 000	130 000	521 742	546 742	662 355
Other assets	90 834	136 198	99 003	139 939	136 280	136 280	163 237	142 053	126 818
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	471	524	1 159	1 900	1 900	1 900	6 000	1 000	1 000
Total Capital Expenditure	446 546	584 253	531 057	485 065	479 148	479 148	854 215	548 501	547 701
Infrastructure - Road transport	397 663	436 124	517 718	562 786	560 300	560 300	548 000	632 300	601 285
Infrastructure - Electricity	334 229	559 900	382 942	387 457	425 806	425 806	358 365	540 843	505 549
Infrastructure - Water	138 767	140 700	107 213	428 316	399 181	399 181	483 364	468 500	484 538
Infrastructure - Sanitation	49 776	268 612	227 774	841 640	79 919	79 919	193 981	842 650	891 175
Infrastructure - Other	1 364 987	1 969 589	1 766 705	2 705 263	1 944 353	1 944 353	2 237 325	3 030 793	3 030 348
Infrastructure	102 958	257 843	162 813	178 741	186 041	186 041	174 806	228 754	211 800
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	186 957	283 757	167 516	144 000	130 000	130 000	576 742	546 742	662 355
Other assets	102 509	173 799	106 221	165 071	161 986	161 986	189 944	169 794	143 562
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	471	524	1 159	1 900	1 900	1 900	6 000	1 000	1 000
TOTAL CAPITAL EXPENDITURE - Asset class	1 757 878	2 685 511	2 204 414	3 194 975	2 424 280	2 424 280	3 185 418	3 375 082	4 049 095
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	1 892 697	2 715 218	3 288 558	-	-	-	-	-	-
Infrastructure - Electricity	2 182 903	2 009 193	2 337 364	-	-	-	-	-	-
Infrastructure - Water	1 707 593	2 575 364	2 859 180	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	1 087 723	1 412 077	1 648 526	-	-	-	-	-	-
Infrastructure	6 670 916	8 711 851	10 133 628	-	-	-	-	-	-
Community	851 302	1 126 867	1 259 317	-	-	-	-	-	-
Heritage assets	3 685	3 656	5 478	-	-	-	-	-	-
Investment properties	10 936	8 005	6 180	-	4 375	4 375	2 550	724	-
Other assets	1 926 277	2 789 425	2 962 141	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	14 741	17 008	13 322	19 559	13 322	13 322	14 055	14 828	15 844
Intangibles	88 025	156 191	109 806	-	116 204	116 204	130 683	137 122	138 415
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	9 575 902	12 823 004	14 489 873	19 559	133 902	133 902	147 288	152 674	155 058
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	574 907	592 406	815 772	897 034	741 741	741 741	856 860	932 224	1 009 212
Repairs and Maintenance by Asset Class	1 465 128	1 759 311	1 740 091	1 590 116	1 585 947	1 585 947	1 960 183	2 065 839	2 218 035
Infrastructure - Road transport	284 593	327 061	330 548	279 808	275 599	275 599	370 372	403 188	430 804
Infrastructure - Electricity	392 949	536 182	525 746	466 065	394 029	394 029	433 426	464 049	499 708
Infrastructure - Water	175 078	187 878	185 359	186 486	174 715	174 715	196 630	211 542	226 787
Infrastructure - Sanitation	8 899	12 777	28 828	39 000	38 193	38 193	41 104	44 186	47 500
Infrastructure - Other	3 471	4 544	5 490	9 048	8 138	8 138	9 248	9 942	10 688
Infrastructure	864 989	1 088 562	1 084 961	980 408	890 674	890 674	1 050 780	1 132 907	1 215 567
Community	209 869	203 013	218 355	330 955	317 842	317 842	349 010	373 391	401 275
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	2	-	-	-	-	-	-
Other assets	360 270	487 736	438 773	378 753	377 631	377 631	560 303	559 541	601 193
TOTAL EXPENDITURE OTHER ITEMS	2 040 036	2 351 717	2 568 863	2 587 150	2 327 688	2 327 688	2 817 043	2 998 063	3 227 248
% of capital exp on Renewal of assets	411,3%	240,3%	144,8%	96,5%	215,9%	215,9%	157,3%	114,4%	123,4%
Renewal of Existing Assets as % of depreciation	246,0%	320,1%	159,8%	174,9%	223,4%	223,4%	227,3%	227,5%	221,6%
R&M as a % of PPE	14,3%	13,4%	12,0%	8,3%	10,3%	10,3%	8,5%	9,0%	8,8%
Renewal and R&M as a % of PPE	30,0%	29,0%	21,0%	166,2%	242,2%	242,2%	265,3%	274,2%	287,3%

Explanatory notes to MBRR Table A9 - Asset Management

1. MBRR Table A9 provides an overview of the municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The City meets both these recommendations.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

Figure 4: Depreciation in relation to repairs and maintenance over the MTREF

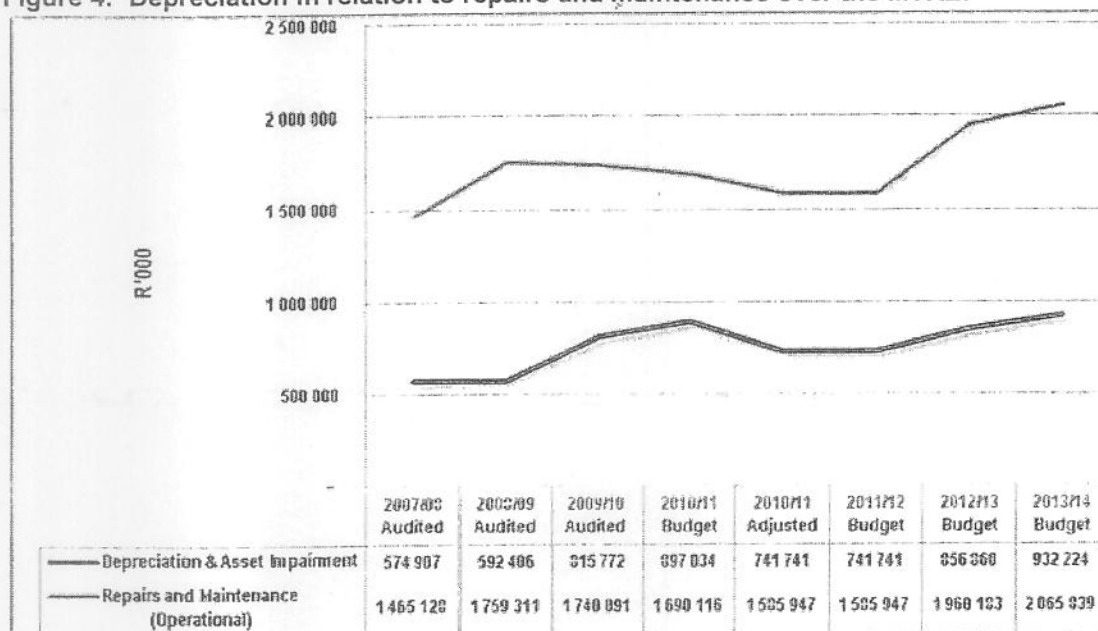


Table 29 - MBRR Table A10: Basic Service Delivery Measurement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Household service targets (000)									
Water:									
Piped water inside dwelling	525	620	659	695	695	695	751	775	800
Piped water inside yard (but not in dwelling)	106	66	73	62	62	62	66	64	52
Using public tap (at least min. service level)	58	3	1	1	1	1	4	4	4
	2	-	-	-	-	-	-	-	-
Other water supply (at least min. service level)									
Minimum Service Level and Above sub-total	690	709	733	758	758	758	822	844	866
Using public tap (< min. service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min. service level)	10	4	3	2	2	2	9	10	9
No water supply	-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total	10	4	3	2	2	2	9	10	9
Total number of households	700	713	736	760	760	760	831	853	875
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	509	528	555	587	587	587	639	658	679
Flush toilet (with septic tank)	12	12	11	11	11	11	12	11	12
Chemical toilet	10	10	9	9	9	9	14	14	14
Pit toilet (ventilated)	134	130	126	122	122	122	132	138	140
	26	26	26	23	23	23	27	26	28
Other toilet provisions (> min. service level)									
Minimum Service Level and Above sub-total	691	705	728	752	752	752	824	846	871
Bucket toilet	-	-	-	-	-	-	-	-	-
Other toilet provisions (< min. service level)	-	-	-	-	-	-	-	-	-
No toilet provisions	9	8	8	7	7	7	7	7	5
Below Minimum Service Level sub-total	9	8	8	7	7	7	7	7	5
Total number of households	700	713	736	760	760	760	831	853	875
Energy:									
Electricity (at least min. service level)	503	523	535	549	549	549	601	620	640
Electricity - prepaid (min. service level)	132	136	149	162	162	162	175	181	187
Minimum Service Level and Above sub-total	635	661	685	710	710	710	776	801	827
Electricity (< min. service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	65	53	51	49	49	49	55	52	49
Below Minimum Service Level sub-total	65	53	51	49	49	49	55	52	49
Total number of households	700	713	736	760	760	760	831	853	875
Refuse:									
Removed at least once a week	555	591	630	665	665	665	717	740	764
Minimum Service Level and Above sub-total	555	591	630	665	665	665	717	740	764
Removed less frequently than once a week	25	39	42	45	45	45	52	53	55
Using communal refuse dump	9	4	3	2	2	2	5	5	5
Using own refuse dump	79	58	46	36	36	36	44	46	47
Other rubbish disposal	2	1	0	0	0	0	0	0	0
No rubbish disposal	29	20	15	12	12	12	13	9	4
Below Minimum Service Level sub-total	145	122	108	95	95	95	114	113	112
Total number of households	700	713	736	760	760	760	831	853	875
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	47	53	60	90	90	90	90	110	130
Sanitation (free minimum level service)	47	53	60	90	90	90	90	110	130
Electricity/other energy (50kwh per household per month)	47	53	60	90	90	90	90	110	130
Refuse (removed at least once a week)	47	53	60	90	90	90	90	110	130
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	0	28 289	52 549	60 332	60 332	60 332	64 598	67 479	113 670
Sanitation (free sanitation service)	0	6 314	10 316	12 583	12 583	12 583	15 948	21 061	26 872
Electricity/other energy (50kwh per household per month)	0	29 251	64 590	78 580	78 580	78 580	92 069	140 261	195 603
Refuse (removed once a week)	0	16 072	31 710	34 570	34 570	34 570	40 454	56 860	77 276
Total cost of FBS provided (minimum social package)	0	79 926	159 164	186 066	186 066	186 066	212 069	305 661	413 421
Highest level of free service provided									
Property rates (R value threshold)	10 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000
Water (kilolitres per household per month)	12	12	12	12	12	12	12	12	12
Sanitation (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	15	16	18	20	20	20	22	24	26
Electricity (kwh per household per month)	100	100	100	100	100	100	100	100	100
Refuse (average litres per week)	85	85	85	85	85	85	85	85	85
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	-	7 204	13 730	15 107	15 107	15 107	16 322	21 544	27 498
Property rates (other exemptions, reductions and rebates)	-	64 840	123 566	135 959	135 959	135 959	146 894	193 899	247 486
Water	31 376	35 273	67 198	73 937	73 937	73 937	80 348	108 266	140 681
Sanitation	8 508	10 317	19 686	21 845	21 845	21 845	23 623	31 202	39 810
Electricity/other energy	24 742	34 740	80 138	95 364	95 364	95 364	107 935	158 308	220 771
Refuse	11 223	14 545	28 697	31 285	31 285	31 285	36 610	51 457	69 933
Municipal Housing - rental rebates	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)	75 851	166 919	333 012	373 497	373 497	373 497	411 930	564 677	746 180

Note: Registered indigents of the CoT receives 12 kℓ of water and 100 kWh of electricity free per month.

Explanatory notes to MBRR Table A10 - Basic Service Delivery Measurement

1. MBRR Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The CoT strives to make good progress with the eradication of service delivery backlogs. Owing inter alia to the incorporation of the Metsweding District Municipality into the City of Tshwane, the number of households without access to basic municipal service in the 2011/12 financial year is estimated to be as follows (decreasing over the medium-term):
 - a. Water services – 9 000 households
 - b. Sanitation services – 7 000 households
 - c. Electricity services – 54 000 households
 - d. Refuse services – 13 000 households
3. The budget provides for 90 000, 110 000 and 130 000 households to be registered as indigent in 2011/12, 2012/13 and 2013/14 financial years respectively and are therefore entitled to receiving Free Basic Services.
4. It is anticipated that these Free Basic Services will cost the municipality R411,9 million in 2011/12, increasing to R746,2 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Steering Committee (the CoT established the Budget Planning Monitoring Committee (BPMC)) to provide technical assistance to the Executive Mayor in discharging the responsibilities set out in Section 53 of the Act.

The BPMC consists of the City Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the BPMC are to ensure:

- that the process that was followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities as set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal strategic units/departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 27 May 2010. Owing to the coming local elections, the time schedule was amended by Council on 24 February 2011. Key dates applicable to the process were:

- 9 March 2011 - Special Mayoral Committee considers draft pre-consultation IDP
- 17 March 2011 - Council considers draft pre-consultation IDP
- 2nd week in March 2011 - Special Mayoral Committee considers draft pre-consultation 2011/12 MTREF for community consultation
- 31 March 2011 - Council considers draft pre-consultation 2011/12 MTREF for community consultation
- 4 to 9 April 2011 - Community consultation
- 10 April 2011 - Closing date for written comments on IDP and Budget
- 20 April 2011 - Special Mayoral Committee considers final 2011/12 IDP and MTREF
- 28 April 2011 - Budget speech presented by Executive Mayor
- 28 April 2011 - Special Council considers the 2011/12 IDP and MTREF for approval

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 Integrated Development Plan and Service Delivery and Budget Implementation Plan

This is the fourth review of the Integrated Development Plan as adopted by Council on 31 May 2006. This process commenced in April 2010 after the approval of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF on 27 May 2010 by Council.

The City's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP; and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each strategic unit/department had to review the business planning process including the setting of priorities and targets after reviewing the mid-year and second quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- City growth;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (ie inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2010/11 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;

- Debtor payment levels;
- Loan/bond and investment possibilities;
- The need for tariff increases versus the ability of the community to pay for services; and
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 54 and 55 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The tabling of the draft budget in Council was followed by publication of the budget documentation, and consultative meetings were scheduled from 4 to 14 April 2011 in a regional manner and were widely advertised in the media, including newspapers, notices at libraries, the CoT website etc. Nine venues were visited within the city's boundaries and another six venues were visited in the Nokeng and Kungwini areas. On average approximately 120 people per meeting attended, with the highest attendance at Sammy Marks Conference Centre of 190, which compared well to the previous financial year's process.

The closing date for written submissions was 15 April 2011 which concluded the community consultation process.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with Integrated Development Plan (IDP)

The Constitution mandates local government with the responsibility to exercise local developmental and co-operative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated development planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and co-ordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Gauteng Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP); and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's seven strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 30: IDP Strategic Objectives

2011/12 MTREF	
1.	Provide basic services, roads and stormwater.
2.	Economic growth and development, and job creation
3.	Sustainable communities with clean, healthy and safe environments and integrated social services
4.	Foster participatory democracy and Batho Pele
5.	Promote sound governance
6.	Ensure financial sustainability
7.	Organisational development and transformation

In order to ensure integrated and focused service delivery between all spheres of government it was important for the City to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the seven strategic objectives:

1. Provide basic services, roads and stormwater:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and stormwater;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the City.
2. Economic growth and development, and job creation:
 - o Ensuring there is a clear structural plan for the City;
 - o Ensuring planning processes function in accordance with set timeframes; and
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Sustainable communities with clean, healthy and safe environments and integrated social services:
 - o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective city cleansing;
 - o Ensuring all waste water treatment works are operating optimally;
 - o Working with strategic partners such as SAPS to address crime;